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COMMITTEE PRINT

ASSESSING AMERICA'S OPTIONS IN THE PHILIPPINES

REPORT OF A WORKSHOP ORGANIZED BY THE SUBCOMMITTEE ON ASIAN AND PACIFIC AFFAIRS OF THE COMMITTEE ON FOREIGN AFFAIRS, THE WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS OF THE SMITHSONIAN INSTITUTION, AND THE CONGRESSIONAL RESEARCH SERVICE OF THE LIBRARY OF CONGRESS, FEBRUARY 3, 1986

SUBMITTED TO THE

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

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FOREWORD

This report of a workshop on "Assessing America's Options in the Philippines" has been submitted to the Committee on Foreign Affairs by the Subcommittee on Asian and Pacific Affairs; the Foreign Affairs and National Defense Division of the Congressional Research Service, Library of Congress; and the Woodrow Wilson International Center for Scholars. The workshop was held February 3, 1986. The findings herein are those of the participants of the workshop and do not necessarily reflect the views of the committee or any of its members.

DANTE B. FASCELL,
Chairman, Committee on Foreign Affairs.

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC, February 3, 1986.

Hon. DANTE B. FASCELL,
Chairman, Committee on Foreign Affairs,
House of Representatives.

DEAR MR. CHAIRMAN: Transmitted herewith is the report of a workshop on "Assessing America's Options in the Philippines." This workshop was organized jointly by the Foreign Affairs and National Defense Division of the Congressional Research Service, the Woodrow Wilson International Center for Scholars, and the Subcommittee on Asian and Pacific Affairs.

I believe that this study is particularly useful at the present time in view of the escalating crisis in the Philippines and the implications for U.S. policy of the Philippine presidential election scheduled for February 7, 1986. This report performs a valuable service in making available essential information on this topic.

I want to express my appreciation to all of the participants in the workshop. Special thanks are due to Larry Niksch of the Congressional Research Service and Ronald Morse of the Woodrow Wilson Center for their fine work in organizing the workshop and helping to arrange for this publication.

Sincerely,

STEPHEN J. SOLARZ,
Chairman, Subcommittee on Asian and Pacific Affairs.

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ASSESSING AMERICA'S OPTIONS IN THE PHILIPPINES

MONDAY, FEBRUARY 3, 1986

HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON ASIAN AND PACIFIC AFFAIRS, THE WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, AND THE CONGRESSIONAL RESEARCH SERVICE,
Washington, DC.

The workshop met at 9:30 a.m., in the west dining room, sixth floor, Madison Building, Library of Congress, Larry Niksch and Richard Cronin (of the Congressional Research Service) presiding.

Mr. Ross. My name is Joe Ross. I am the Acting Director of the Congressional Research Service.

We are very pleased to have you with us this morning. Gilbert Gude, our Director for many years, retired in December from the Federal service. He hasn't exactly gone fishing, he has gone up to Potomac to do more research on his second book about towns of the Pacific.

I was the Chief of the Legal Division of CRS for many years and filling in temporarily until the Librarian of Congress decides who shall be the next Director of CRS. It sounds like an exciting program that we have here this morning. I wish I could stay with you, but I have some other commitments, myself.

I am going to turn the program over to the Chief of National Affairs, Stan Higginbothom.

Mr. HIGGINBOTHOM. Thank you very much, Joe. I am pleased, on behalf of the Division, to welcome you here today to an event cosponsored by three institutions: The Congressional Research Service; the Subcommittee on Asian and Pacific Affairs of the Foreign Affairs Committee of the House of Representatives; and the Woodrow Wilson International Center for Scholars at the Smithsonian.

I am pleased Ronald Morse is here from the Wilson Center, and we very much appreciate their support and cooperation in this endeavor as well as that of the House subcommittee. We are in, I think, for a very full day. I don't think there is any other issue facing American policy today that is as complex and filled with controversy and competing for sessions as the Philippines and our interest and policy options and an appropriate policy for that region.

We are fortunate to have a diverse and qualified group of panelists today. You will see a transcriber here, who is producing a transcription which will be used as a basis for a committee print to be produced by the Foreign Affairs Committee.

However, all remarks today are off the record until that transcript is produced and everyone has had a chance to go through it and confirm the statements that they made. So I would appreciate your remembering and respecting the fact that today's session is off the record.

We begin with a session on political issues this morning followed by one on economic issues, and then after lunch a discussion of insurgency and then military issues facing U.S. policy. There is a lot to be done, and we are privileged to have this morning as our moderator, the Senior Analyst in Asian Affairs at the Congressional Research Service, Larry Niksch, who I think many of you already know, who has worked on the Philippines and specialized in related Philippine issues. He is a member of the President's observer group to observe the Philippines elections and will be leaving tomorrow for the Philippines as a member of the observer team. As you know, I think also he has done a committee print for the Senate Foreign Relations Committee on the insurgency and counterinsurgency efforts in the Philippines.

So we have as moderator a real expert this morning. This afternoon's session will be moderated by Rich Cronin, who is sitting to Larry's right. Rich is head of the Asian-Latin American Section in the International Foreign Affairs Division and also has extensive experience working on Asian history.

Again, I am pleased you are all here. We are looking forward to a full and interesting session today. I will turn the proceedings over to Larry Niksch.

Mr. NIKSCH. Thank you, Stan.

I think we know the importance of the issue that we are about to discuss. This election, of course, is receiving just a tremendous amount of contention in this country. The implications of it for American policy toward the Philippines is potentially very profound, and, of course, out of this election will come a government that will have to deal with the fundamental problems facing the Philippines today, problems which, of course, greatly affect our role in the country and our interest.

I think we have three very qualified people to talk about the political situation in the Philippines today and its effect on these policies and on American interest. Before I introduce them, let me ask you that when you begin the discussion, if you would please identify yourselves when you ask a question or make a comment. This will make it much easier for our transcriber to do his work, if you will do that.

Our first speaker today is Marjorie Niehaus. Marjorie is a former colleague of ours at the Congressional Research Service. She worked in the Philippines extensively during her period with us, and she is now in the Bureau of Intelligence and Research in the State Department, where she is very actively involved in the day-to-day activities of the IRS Bureau on the Philippines. Marjorie.

STATEMENT OF MARJORIE NIEHAUS, BUREAU OF INTELLIGENCE AND RESEARCH, DEPARTMENT OF STATE

Ms. NIEHAUS. I have organized my thoughts under four headings. First, why the Philippines is having early or so-called snap elec-

tions. Second, a look at the campaigns. Third, the election prospect: who might win; what might happen in a few days when the polls are held. And, finally, prospects for the postelection period.

First, why the February 7 poll? Presidential elections had been scheduled for 1987. Why is it that President Marcos called early elections? As many of you know, for the 20 years he has been in office, President Marcos often has managed pressures against him. I think he called these polls to deflect what were mounting pressures for economic and military reforms. The pressures were not to call elections, but for him to professionalize the military and improve its ability to deal with the growing Communist insurgency in the Philippines. I know we will discuss the insurgency in another session, but in this context the point is that the Communist insurgency is growing not so much from its own power but by default of the Government. The Marcos regime has not effectively addressed worsening economic conditions, military abuses, and other problems.

Pressures were on President Marcos, both internally as well as internationally, primarily from the United States, to reorganize his military leadership and to make structural economic reforms that would revitalize the failing economy, primarily by breaking up the monopolies that had grown during his 20-year tenure. But, as he has done often in the past, he deflected these pressures by a very bold move, by calling these early elections.

His choice of Tolentino as his running mate is another example of his boldness. Tolentino had been very critical of Marcos and had been relieved of his post as Foreign Minister because he had been so outspoken. By naming Tolentino, Marcos hoped to get the initiative and offer a new and credible administration.

Why did he use elections to deflect pressures? Filipinos have always liked elections. They have a tradition of turning to the ballot to start anew. From 1946 until 1972, when martial law was declared, Presidential elections had been held regularly, and, although sometimes tainted with charges of manipulation and violence, they had usually turned out the incumbents. Filipinos, then, look upon elections in a favorable light. Moreover, elections have always been accompanied by a distribution of largess, a certain festivity, and charismatic campaign speeches.

By calling elections, then, Marcos tried to deflect his critics who say he is an authoritarian leader, but also to give himself a chance of regaining popular support. He certainly took a risk calling these elections, however. He wanted, as he said, to get a fresh mandate. It doesn't seem at this point that he will get one, although he could possibly win the elections, and so he may have seriously miscalculated in calling them.

Turning to the campaign itself, I organized a few remarks under several headings: Performance; organization; funding; and the issues.

This Presidential campaign has achieved a unique characteristic, blending, I think, traditional pork barrel with an eerie underlying sense that the elections could be canceled, the results could be aborted, that emergency rule could be redeclared. I don't think martial law is a likely scenario, but the outside possibility of it permeates the campaign.

Looking at performance, I think we have to say Aquino-Laurel have been very dynamic and energetic. They have covered about 70 of 74 provinces, and have attracted popular enthusiasm. President Marcos, on the other hand, has had a very orchestrated campaign. He has depended a great deal on TV coverage. His health has not been a major issue, but it is an underlying one. He has had to cancel campaign swings and appearances. At times he has been rambling and seemed weak. At other times, President Marcos has shown himself to be a fighter, and he has met many times with the press.

The Aquino-Laurel campaign has been extremely energetic and attracted large, seemingly enthusiastic and attentive crowds. How much of this is curiosity, how much of it is sympathy for the Aquino assassination, for the Aquino widow, is hard to know; but it seems that she has tapped into a national sentiment that the time for change is here.

One of Aquino's slogans, "Enough is Enough," appears to be very effective. If that translates into votes is not certain, however. The patron-client system is well-entrenched in the Philippines and President Marcos' extensive organization is such that even if people would be inclined to vote for Aquino they may for personal gain or for their own family interest choose to stay with Marcos' party.

The ruling party's extensive organization is unprecedented in Philippine history. Most of the 42,000 barangay captains, the 1,600 mayors and provincial governors are loyal to Marcos. There have been some key defections, but, for the most part, it has been a bandwagon defection to the opposition. The opposition's grassroots organization is improving, but in comparison to the KBL machine, it is weak. Aquino-Laurel will have to depend largely on church networks, on volunteers, and on possible defections from Marcos that won't show up until the election.

Comparison of funding is almost like night and day. President Marcos reportedly has hundreds of millions of dollars that he is using in his campaign, perhaps up to $600 million. The Aquino-Laurel campaign has about $6 to $8 million, perhaps a little more.

Funding isn't used only to buy votes or finance a campaign rally. There is a logistical problem, in the Philippines, of getting people from remote areas to the polling stations. Buses have to be chartered and often the rural voters have to be given lunch. Getting out the vote, then, takes organization and funding. The opposition, as I said, has been disappointing from their perspective in getting the necessary funds. Many Filipinos may believe that the election is a predetermined exercise. There also could be some intimidation of opposition supporters.

For whatever reason, the funds were very slow in coming which has already hurt the opposition. Voter registration was conducted in December, for example. The opposition was not able in many cases to get out the vote for the registration.

Moving ahead to the media, so far the Government-influenced media has not given Aquino fair access. This is improving slightly.

Seeing coverage on western TV, we are inclined to think that the Philippine coverage is fairly equal. But probably Aquino gets more

coverage from CBS and other United States networks than she does in the Philippines.

Provincial radio has been somewhat better, but in many cases, local radio was already bought up when the opposition applied. Even though the opposition had the money locally, they couldn't get access to the radio.

This is improving a little bit in the last few days, but overall, it is accurate to say that they have been denied fair access to the media.

There is the opposition press, which certainly gives them coverage, but these papers have limited circulation, not like the major dailies that are Government-influenced.

The campaign has not been an issue-dominated campaign.

It is mainly a struggle, if you will, between forces that want change, that want to move the Philippines toward modern politics, and a very effective organization that has been in power for 20 years.

Aquino was on the defensive in the first part of the campaign, while Marcos in the last few days has been on the defensive. This has been a key change.

Marcos has tried to paint Aquino as inexperienced, unreliable, and vulnerable to Communist influence.

I think that she has been able to put aside to some extent his charge that she is open to Communist influence although it may have hurt her. This charge, however, may be more important in the United States than in the Philippines themselves, but insofar as Aquino may have been perceived as worrisome to the United States, that, too, could take votes from her.

She made some mistakes in the beginning. She was quoted, for example, as saying that she would accept Communists into government. She refined that later, but it may have been costly.

She would offer a cease-fire if she were elected and would try to reconcile the grievances of the Communist movement. As many Filipinos, she has said that she believes that most of the popular support of the Communist movement is anti-Marcos sentiment. Once a reform-minded, more equitable government came in, she said, some of the soft support for the Communists would decline.

This view was perceived by some Filipinos as reflecting inexperience, and certainly President Marcos capitalized on that, but it seems to have receded from the campaign in recent days.

President Marcos has tried to bring up United States access to Philippine bases. Aquino-Laurel's position is that they will honor the bases agreement with the United States until at least 1991, which is the first year that either party can give notification of its termination. Whatever they negotiate or decide about U.S. access to the bases beyond 1991 would be put to a popular referendum.

President Marcos has tried to accentuate the differences between the two campaigns on this issue by saying that he is for the extension of the bases agreement beyond 1991, although many of his key advisers have said that he will argue for tougher terms.

Aquino also has turned aside successfully his charge that she is inexperienced. Marcos may be experienced, she says, but look at the country, look at economic and social conditions after 20 years of Marcos. Is that the kind of experience Filipinos want?

KBL advisers to President Marcos are most concerned about this point, the fact that his experience doesn't really ring well with the Filipinos when talked about in these terms.

The Aquino-Laurel campaign, meanwhile, has been effective with issues of the regime's corruption and the economic deterioration. Aquino's slogan "Enough is Enough" has been successful in getting that message across, so much so that KBL people are increasingly nervous. It also may be one reason that President Marcos has decided not to debate her on Philippine television.

THE ELECTION OUTLOOK AT THIS POINT

It seems to be a very close race. There has been no poll that I am aware of that projects President Marcos winning by more than 2, 3, or 4 points. The opposition also is projected as 5 points ahead sometimes less, but, in my view, surveys and polls are not very reliable. If anything, it seems that projections for Aquino represent the floor, the least of what the opposition will get. Aquino would probably do better than the polls indicate because many Filipinos may be reluctant to say frankly that they would vote for the opposition.

Marcos is expected to hold regions 1 and 2, and probably overwhelmingly, maybe by 90 percent of the vote. Regions 3, 4, and 5 are opposition areas. Tarlac is in there, and Eduardo Cojuangco, who is a close Marcos associate of great wealth and power, is influential there. Despite the outcome in Tarlac, however, 3, 4, and 5, especially 4, may go overwhelmingly opposition.

The National Capital Region, the NCR, has the highest concentration of people, and the opposition will carry that. Tolentino, could perhaps cut into some of the opposition vote in the Manila area, but for the most part, it will go Aquino-Laurel.

Regions 6 and 7 are very close, but the opposition may have a slight edge. Region 8, where Mrs. Marcos is from, would be almost overwhelmingly for Marcos.

Regions 9, 10, 11, and 12 are close also, maybe with President Marcos having the edge.

The opposition's stronghold—regions 3, 4, 5, and the National Capital Region—are the most populated areas. It will probably be fairly close, however.

The momentum, nevertheless, is with the opposition, and the opposition increasingly believes that Aquino-Laurel will win, and win big. But they expect the election to be stolen from them, and they expect that they will not be permitted to take office. You could conclude that President Marcos probably would have to resort to cheating to win, or you could say that Aquino would have to have a landslide to win.

The chance for fair elections: I think we have to start with the fact that President Marcos definitely wants the elections to be perceived as fair.

He also wants to remain in power. In my personal view, if he had a choice he would choose to remain in power, even if it meant manipulating the returns and risking charges of a tainted election.

Cardinal Sin, in recent days, has warned about growing reports of fraud. Ambassador Bosworth has expressed alarm at what he saw were increasing reports of fraud, manipulation, and violence.

There are, of course, some reasons why the elections could be relatively fair. The citizens monitoring watchdog group, NAMFREL, has been accredited.

Joe Concepcion had claims of about 500,000 volunteers to be poll watchers. There are about 90,000 polls in the Philippines. In 1984, NAMFREL had only about 40 percent of the polls covered. They now expect to have maybe 85 percent to 90 percent.

Also, UNIDO has been recognized as the dominant opposition party, which allows it to have observers at each of the polling places, each of the various canvassing centers and so on. UNIDO has perhaps 100,000 people observing. These will be checks against excessive cheating.

However, manipulation could be done out of sight from these observers, or from NAMFREL and the poll watchers.

There has been a history in the Philippines of having what they call flying voters, or people voting many times over. Also the barangay captains are permitted in the polling places by the election code. Since most of the 42,000 barangay captains are loyal to Marcos, their role may favor the ruling party. Also, there is the tradition of selling your vote, of having a piece of carbon under the ballot, and then after you vote a certain way, you go hand the carbon in and get paid for that.

In some areas, both sides may resort to this, but the ruling party's capacity for buying votes and manipulating the outcome is so much greater than the opposition's.

As the votes are collected and transferred to the larger and larger canvassing stations, the ballot boxes can be replaced.

Tabulations also can be falsified, and false tabs can be verified. This would require cooperation from many people and massive payoffs.

It isn't something that could be done easily, but many people think that if the election is tainted and manipulated, it would be done at these canvassing centers, where false tabulations would be verified, and then sent on to the Central Comelec Commissions.

I think the chances are that it will be a manipulated election. I think that Aquino-Laurel, just my own sense of it, from the polls, from the crowds and so on, will get maybe 65 to 70 percent of the vote.

Exactly how that is handled, we will have to wait and see. I think the chances for a fair election are there, but I don't think it is likely that it will be a free election.

The church will have a large effect on this. It has been stepping beyond what it has done usually, to really campaign for free elections. Pastoral letters were read last Sunday saying that people should follow their consciences, that despite whatever money they may have taken they should still vote as they see fit. The church is practically saying in its pastoral letter that the country needs a new administration. This was a pastoral letter signed not by just Cardinal Sin, but by Cardinal Vidal and the 100 or so bishops. This may have an effect. The church has been broadcasting a prayer three times a day encouraging people to work for a free election.

PROSPECTS FOR THE POSTELECTION PERIOD

First, it is possible there would be a near-term crisis. If President Marcos is proclaimed the winner, for example, and the opposition protests this civil unrest may take place. The military also may overplay its hand, crack down too hard or something.

Some who don't want Aquino to be proclaimed the winner may also make a preemptive move.

I don't think these are the most likely prospects, but there is a possibility of a near-term crisis. I think the more likely outcome would be an intensified protracted crisis.

President Marcos will probably emerge from whatever unrest occurs at the time of the election in power, but with his credibility and moral authority further diminished. Also I would think that the moderates in the KBL and the professionals in the military would also have been weakened. That means that Marcos' maneuverability for reforms will be lessened. The opposition, on the other hand, will come out of an election even if it is stolen from them, greatly strengthened.

I know that some may be polarized or turn to the radicals. Some may try to get out of the country. But my own sense is that the moderates will have thought the election was a worthwhile exercise for them. They will have strengthened their grassroots. They will have refined their platform around which they can rally new support. They will have strengthened their ties to the professional military and to sources of funding in the Philippine business community. Unless President Marcos should cancel local elections which are scheduled now for May, the opposition will likely get in those and make gains in preparation for the post-Marcos era.

There will be increasing domestic and international pressures against Marcos. He would probably try to again manage these pressures by some initiative, maybe creating a new counterinsurgency program or something, but I think his room to maneuver will be lessened, because he will have incurred many debts along the way from those who will have helped him to manage the election.

Now, there is a third option of course, aside from the near-term crisis or the more protected crisis.

The third option would be that if Aquino wins by such a landslide that it isn't easy to change those results, I believe that President Marcos at that point would just drag out, would delay the transition. Delaying tactics are something he has used very well. He could delay having a winner proclaimed. He has handed in a resignation which is postdated and doesn't come into effect until after the new administration is proclaimed, and installed. COMELEC has 30 days to proclaim a winner, and then if that is protested to the supreme court, the supreme court has a year to decide. It is possible that if there is an Aquino victory, that President Marcos would move into a delaying tactic for a year.

But whatever the outcome it is important to remember, I think, that the fundamental problems, the Communist insurgency, the economic stagnation will still need to be addressed.

If there is a freely elected government, that government would have a chance to stabilize the situation.

Mr. NIKSCH. Thank you, Marjorie.

Prof. A. James Gregor, from the University of California, is our next speaker. Professor Gregor also is very well versed on the Philippines. He has been there many times. We have seen him on television, on programs such as the "MacNeil-Lehrer Report," talking about the Philippines.

He is the author of numerous publications, pamphlets, articles, and books on the subject. Jim.

STATEMENT OF A. JAMES GREGOR, PROFESSOR OF POLITICAL SCIENCE, UNIVERSITY OF CALIFORNIA

Mr. GREGOR. Thank you.

I really don't have any difficulty with Marjorie Niehaus' account. It seems to me the one objection I have largely turns on the use of surveys and polls.

I think Americans have a tendency to be skeptical about the use of polls and surveys, and I think that is justified, as long as people do not assess the merits of the polls, that the sampling procedures of polls, it is so tortuous in the Philippines that most polls and sampling procedures are hopelessly defective.

They really don't make too much sense, but there have been several polls and surveys conducted in the Philippines that I would take to be very substantial. The difficulty with these polls and surveys is that most of them are dated. They are 3 months old.

The situation in the Philippines is very dynamic, but I do think it gives indications. First of all, there are some attitudes that Filipinos display that are fairly well established, that is attitudes with respect to candidates, that is particularly volatile, but certain attitudes toward the culture, toward the church, toward the Communist Party, that tends to be fairly stable over time.

And I think it is indicative of some of the problems that the Philippines has in terms of this particular crisis situation. The polls I am referring to are the bishop's businessmen polls that were conducted in September, the Philippine Social Science Council also conducted extensive polls, nationwide polls, with I think credible sampling procedures.

And what they reveal, I think, is very instructive for our purposes, in terms of the forthcoming elections, and in terms of the Philippine political culture.

I think that Marjorie Niehaus' account of the kinds of support that President Marcos has is really quite accurate. First of all, there seems to be a very firm commitment to Marcos by about 40 percent of respondents.

Recognizing that there is a very large minority of people who will not take a position, this makes the analysis of the data very difficult, but certainly in all kinds of contested situations, where Laurel is put against Marcos or Cory Aquino against Marcos, Marcos also reveals himself to have a strong support base of about 38 or 40 percent of the potential electorate.

In terms of the assessments of the candidates, and this varies, because this is very sensitive to information flow, we have correlations between knowledge and trust in the Philippines.

If a person is reasonably well known, there is a positive correlation between knowledge of the individual and support or trust. Up until fairly recently, Cory Aquino was an unknown entity.

When, in September, there was an assessment made of whether she was Presidential timber, only 8 percent of the population thought she was Presidential quality. Now, this probably reflects the fact that she was totally unknown.

When the same question was leveled at Laurel, about 20 percent of the respondents thought he had Presidential qualities. Now, this is compared to the trust rate and the qualification rate provided Marcos of between 44 and 47 percent.

The margin of error here is 2 or 3 percent. Consider the fact that he had a support rate of 47 percent at the time of a devastating economic crisis, that is very surprising.

Seeing how at the same time Mitterrand had about a 40-percent acceptance or trust rate in France, the Philippines is a very peculiar place, as you all well know. Marcos is well known. He has the trust of the population, and largely I suppose this turns on the patron-client relationship, the recognition that the leader requires our support.

The fact is that there is that support. It is sustained, and apparently, is sustaining. Whether the opposition can erode that support, whether they can pick up the 25 or 30 percent of the people who have not made a decision, apparently at least in terms of their responses, is another question, and I think Marjorie Niehaus pointed out the fact that the patron-client system is institutionalized in the Philippines, and it functions very well.

If you look at the survey data, and this is fairly constant, the barangay captains, the mayors, are well respected by their constituencies. That means they have leverage with their constituencies, and there is no indication that has been eroded.

It has been a majority support for the barangay captains and mayors in the local areas, most of whom of course are KBL. Under the circumstances, if they couldn't deliver substantial votes to President Marcos, it would be a surprise to me.

There is again the provision of considerable patronage that is made available, directly or indirectly. This is characteristic of Philippine elections, as you all know. Since the President has access to the coffers of the Government, it seems to me he has singular advantage in that respect.

I think some of the more interesting features are that of all the trust and proficiency ratings given to most of the members of the Marcos government, very few of the opposition people in September certainly reached the level of acceptance or trust.

The most emphatic support was given to Laurel at that point. Now, that may have very well changed. It is very difficult to say, because most of the surveys and polls I have seen have been hopelessly bad in terms of their composition, their sampling procedures and the kind of errors that characterize those things.

I think, for example, one of the assessments made in both polls indicates that most respondents, in one case 65 percent, in another case 52 percent, felt that Marcos would be elected without difficulty.

I think it reflects the Filipino perception of the election itself. Now, whether that has changed significantly over the last 8 or 9 weeks is difficult to say, but the fact of the matter is there has been that persistence since.

This does not mean in fact Filipinos have confidence in government, that is the confidence level in government in general is surprisingly low. There is clearly a sense of alienation.

It is very much like the Government in Mexico, or the Government in Italy for that matter. People have no confidence in government, and yet they do support and trust particular individuals.

This again is characteristic of the political culture. Most of the respondents have considerable respect for the military. In some cases, a plurality, in other cases a majority, and surprisingly, enough in the polls in both the respondents support the civil defense forces that have been much maligned in the U.S. press.

As a consequence, it seems to me we have very little direct evidence of Philippine attitudes, other than the polls. The rest is reportage and guesstimates, and I think we have a legitimate right to be skeptical about newspaper reporters and materials that you find on public television.

As far as the opposition is concerned, they do have strength, and I think it is quite clearly changing. It has also been of monumental importance in cases like this, particularly in the Philippines, and this is the sense one gets when one talks to the Filipinos.

They just simply say, "I don't remember another President since I was a child," and there is a sense there they would like to see someone else. It is sort of when I was a boy, I thought all Presidents of the United States were called Roosevelt.

At a certain point in time, you would like to see a change. On the other hand, it seems to me while that is true that issues are really very low salients in this election almost every position that the opposition has taken seems to violate the dispositions of the Filipino people.

Whatever evidence we have indicates, for example, that the bases issue, most Filipinos, a plurality of all Filipinos prefer the retention of the bases. In cases where the respondents indicate that they know something about the issue, it becomes a majority, 56 percent would like to have retention of the bases.

It seems to me that the opposition is reflecting an urban Manila at the University of the Philippines, responses to the bases arrangements, that is if any of you spent any time at the University of the Philippines, you know what kind of people they have there, sort of Berkeley West. It is a strange place.

The notion that the American bases are there to exploit the Filipino people, it is part of the system of oppression, some of the theologians of liberation theology advocate, but most of that does not reflect in general fairly stable attitudes among the Filipino people who are well disposed toward Americans.

All the evidence we have indicates that fairly constant attitude. When asked if they think the things the Americans want for the Philippines are good for the Philippines, the majority choose to agree.

In that sense, we have a reservoir of good will in the Philippines. Now, the other issue, which I think is very dramatic, is the multinational corporations. If you have spent any time in the Philip-

pines or you have let Tanada's accounts or Laurel, the multinational corporations are the bete noir of the opposition.

If we can believe anything they say, what they want to do is reorient the Philippines economy toward providing for its own people. They want to cut the bind, the threads that make them dependent on United States business, that United States business exploits the Philippines, and so on.

This doesn't strike any resonance as far as we can tell in the polls and surveys among the general Filipino population—67 percent want the multinational corporations in the Philippines with some restrictions, that is it is an overwhelming majority of people think that the America businesses in the Philippines is helpful. So that issue, which of course, has been raised, and of course, since Cory Aquino has Tanada as one of her principal advisers, one can suspect that this kind of notion is alienating a great many Filipino businessmen who are in fact export-oriented and who in fact advocate a policy of exporting nontraditional goods, who anticipate growth rates in the Philippines predicated largely on economic development, based on technological improvements in manufactured goods, hypothetical intensity industries and so forth and so on.

Now, the other thing is the Communist Party of the Philippines. Whatever evidence we have indicates that Filipinos do not want to see the Communist Party legalized. Now, Cory Aquino has signed a unity platform, in which at one time she advocated the abrogation of the bases agreement.

She has waffled on that considerably. She has backed off it. She now says she doesn't want to really abrogate it. She is going to have a referendum or whatever. Laurel did exactly the same thing.

In 1984, he signed a statement saying, "I have come around, my sacred commitment now is abrogation of the bases agreement before 1991." He now has remitted that sacred pledge, and is now prepared to have renegotiation of this in 1991.

The fact of the matter is, I think that this particular posture, should the opposition win, would reflect, I think, badly on the United States, in the sense that it could go either way as far as the polls and surveys indicate.

One-third of the population apparently can be in fact lured into one position or another, with considerable pressure. Now, that seems to me to make the situation particularly hazardous for us in the circumstances we now find ourselves in Southeast Asia.

With the Soviet Union having bases at Cam Ranh, now servicing 25 or 30 Soviet military ships in the area, half of which are combat vessels, with Bear bombers being located on airfields in Vietnam, the presence of the United States in Subic Bay and Clark Field is critical to the area.

The whole China Sea is highly volatile. There are five or six major nations that have conflicting claims in the area. The PRC claims the Spratly Islands, where the Philippines has six or seven islands that it claims; where the Republic of China on Taiwan has islands that it claims.

All of these are garrisoned with the exception of PRC, but the PRC last May sent a navy flotilla to circumnavigate the Spratly Islands to indicate that they still have firm claims there.

Vietnam, on the other hand, claims those islands, and they are supported by the Soviet Union. Now, if the opposition doesn't realize how sensitive the situation is, then it reflects, I think, either naivete or malevolence.

It seems to me that the United States clearly has a concern in that particular area. Now, I am convinced that Marcos will win the election. If he does win, he will have a protracted crisis on his hand. That I don't doubt at all. The community will probably remain in negative growth for years.

The surge is well established and well entrenched. If one looks at the record, the military, allocations for the military, declined significantly since 1972. They have received about 80 percent of the allocations they received in 1972 while the surge has been increasing. The United States has been punishing the Philippines with attempting to refuse military assistance. When I talk to any of the military people in the Philippines, they say we have no logistic support. They have shown me some of the budgets of the NPA field services where they have higher budgets than the military people.

Under the circumstances it seems we are going to face critical issues very early on. Marcos is going to have very serious problems. His health is a major one, of course. One doesn't know what the circumstances surrounding his health may be but certainly it will be critical.

When Marcos disappears from the scene we do have the problem of a vacuum in terms of political leadership. I am sure there are political leaders who are competent in the Philippines. Under a circumstance like this, they don't surface very readily. It is hazardous to lift one's head above the level of the ordinary bureaucrat. There are clearly Filipinos very competent, very capable. We have to decide as Americans, I think, and as Government officials and policymakers what we are going to do with the Marcos administration that wins this election.

Are we going to assist in economic development? Are we going to aid them in a systematic program? Now that they have decided to bite the bullet and undertake liberalization of the economy, something they have not done since the declaration of martial law, now that the IMF and World Bank has imposed fairly rigorous and austere demands on the Filipino economy, the United States has under consideration now the problems of dealing with the Philippines as a critical ally in an area that is extremely sensitive.

In terms of our economic interest, as far as I can tell, are relatively minimal. As far as we know, the book values of our developments are about $2 billion and I don't think Americans spend sleepless nights worrying about that, given our national deficit.

But the fact of the matter is the basis that the Soviet Union has acquired in that region the main lines of communication from the Near East to the oil import dependent countries of northeast Asia. It is extremely important for us and in terms of our security interest, the Philippines become increasingly critical. For the first time in the century, the Philippines is a linchpin of a security relationship we can forgo only at considerable risk.

Anyone who talks about moving the base to Palau or to Guam is talking balderdash. I mean Palau has no facilities whatsoever; Guam can't support carriers. They are all steaming time 3 or 4

days away. The whole situation has become increasingly critical and Marcos is well aware of that. He is pushing that issue as much as he can. He is getting response from Filipinos. Particularly the older generation has a fine relationship in terms of the United States.

Marcos is pushing an import-export economy. He is trying to appeal to the businessmen with the disestablishment of the capitalism he imposed for a while. He is winning some support. It seems to me we have to make a choice at some point in time how much are we going to invest in the Philippines, what it is going to cost us in terms of credibility, what it is going to cost us not to invest in the Philippines. It seems to me to be a basic dilemma.

Now the issues, as I see them, we have an obligation of course to foster the development of democratic institutions in the Philippines. It is clear from all policies and surveys the Filipino people don't want the President to exercise special powers in terms of preventive detention, in terms of amendment 6 which allows him the prerogative to issue decree legislation. That is very clear.

It seems to me there are issues that the United States can address. It seems to me that the United States being sensitive to Filipino sensibilities, can get the Marcos regime to start undertaking some fairly sensitive reforms. Some reforms have been taken. For example, if one looks at the surveys, the surveys indicate that 62 percent of the population felt that the elections, that the Bocasohm elections in 1984 were fair. Now it seems to me that is progress.

And under the circumstances we can press for issues of that sort and it seems to me there would be a positive response. Recognizing always Filipinos are sensitive. They have to face an issue. A great many Filipinos feel the Government—and they have to display resource and so the United States has a great deal of leverage in the Philippines.

I think the media has done a great deal to create a special problem in the United States vis-a-vis the Philippines. If one considers the circumstances, while the Filipino record has not been a good one, one has to look at Southeast Asia in terms of human rights, in terms of government violence. The fact of the matter is we can accommodate the PRC, which has rounded up 100,000 people and killed 10,000 of them in public stadia, blowing their heads off for the viewing public.

It seems to me we ought to be able to accommodate difficulties. I am not applauding it. I am simply saying it seems to be singly unrealistic to consider the fact why Filipinos have warts. They have incredibly large warts. The fact is, you who know Indonesia, know that corruption is endemic to a great many of these areas and the fact of the matter is we have to gauge the assessment in terms of the prospect for restoring democratic institutions in the Philippines, and I think they are much better than in most of South Asian countries that have this defect.

Americans have to be realistic about their prospects. In that sense I think we have to recognize the fact that the Marcos government is probably here to stay until God decides to collect him to the happy hunting ground. We don't know what the state of his health is, and my experience is it is cyclical. I have seen him on occasion go 12 or 13 hours without a break. The type of disease he

supposedly has is a cyclical one and it may be in fact, he has a debilitating disease at points in time and he may be dispatched on very short notice.

Under the circumstance, we need a policy reassessment about the Philippines. I don't think we have a policy equidistant. Biting the bullet with respect to anything is not a policy at all. I think we have to recognize that the endemic difficulties in the Philippines are there and they are going to be protracted for a long period of time. We have evidence the insurgents are getting support from without. As long as they weren't getting support from without, Americans would be indifferent. Insurgents without external support are rarely successful. Now that they are getting support from without, and we have evidence that is the case, I think Americans have to reconsider exactly what they are going to do.

The Filipino military gets less than 1 percent of GNP. For all the talk of militarization in the Philippines, the Filipino military is really underbudgeted and under the circumstances one of the problems you have in terms of human rights violation is the nonprofessional military are used to suppressing insurgents or seeming insurgents and this does create very special problems.

I think the Marcos government has made an effort to correct the situation but the problems are endemic to the system rather than a function of his ability to do well. Marcos, in terms of his particular disposition, he would like to see a relatively fair election, but I think the institutions that have been established will create problems.

We must be prepared for considerable departures from what we would consider to be integrity of elections. We have to weigh all these things in terms of consideration of American long-term interests, and it behooves us to make a very hard decision, a decision that is not going to sit well with a great many of the purists, those people overly pious about these things, but it seems to me the reality of the situation demands assessment of the kind I suggest.

Mr. NIKSCH. Thank you very much.

Our third speaker is Richard Kessler from the Carnegie Endowment for International Peace. He has worked in the Philippines for as long as I have known him and that is at least 5 years now and I think his work in that country goes back much beyond the time when he and I became acquainted.

He has, as you may know, written numerous articles which have appeared in newspapers, he has testified before several committees of Congress on the subject, and he is one of the people in Washington that I think anybody who wants to learn about the Philippines turns to regularly, especially in the situation that we have today.

Rick.

STATEMENT OF RICHARD KESSLER, SENIOR ASSOCIATE, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

Mr. KESSLER. Thank you, Larry.

I was asked to respond and comment upon Marjorie Niehaus' presentation, so let me do that along the lines of the format and outline she gave, which I think is a very good one. I really don't have any major points of disagreement, just elaboration.

Let me preface my remarks by stating I think it is important to view the Philippines in a Filipino context rather than an American context, and this particularly applies to the issue of elections.

As Americans, we are use to elections and the Filipinos in many ways have adapted our format, and we find it an acceptable way of interpreting what is going on there. We have to be suspect of that. This particularly applies to the use of polls. As Mr. Gregor mentioned, and I agree with him, polls in the Philippines are always questionable, particularly in the last few years.

But I think when you are trying to understand why Marcos called a snap election, I think one of the reasons why had to do with his sense that the political polls that he was seeing, particularly the one done by the Bishop's Businessman's Council showed him winning. There are obviously multiple reasons why he called for a snap election, but one of those was his acceptance of the polls, the validity of the polls showing him winning. So he thought he could manage it and he could carry it out. I think this was a fundamental mistake on his part, and I agree with Marjorie that in calling this election Marcos made a critical error of judgment.

I also agree with her in which she said Marcos called the snap election to force reforms. I think this also was an important objective. I think it is important to understand how the chronology of this snap election came about. It was obvious since last spring Marcos was seeking a way to call an election.

He was making the usual tactical approaches he generally does in any policy matter, which is going to be a divergence from his previous approach. He needed a justification for that and I think the justification he ultimately used, the reason why he needed a justification was because of the constitutional restriction that he resign. He needed to get around that.

The way he got around that was by making it appear the United States wanted him to call a snap election. The first real visible announcement of a snap election occurred after Casey's visit to Manila last summer in which an article surfaced in Newsweek. I think that was an article leaked by Marcos' people to make it appear Americans were pressuring him to call a snap election. I think it is important to recognize when Senator Laxalt went over there, that was the final excuse he needed to call a snap election.

So, as Marjorie mentioned, Marcos has been very adept at using his American connection when he wants to do just what he is doing in the Philippines.

And as she also mentioned, he understands us better than we understand him. But in terms of our own policy interest, I think it is also important to recognize one of the reasons he has been able to do so much, he has been able to do so in the past is that we haven't paid much attention to the Philippines. He is one of many clients in our constellation. We tend to not really deal with these problems until they reach a crisis point.

So Marcos in a way has gotten away with that—not necessarily because he is the smartest guy in the world, but we have tended to ignore him. It is important to understand that also.

Second, another point of elaboration on why there was an early election. The Filipinos like an election. The opposition wasn't united in terms of their desire to hold a snap election. Many of

them were afraid of the consequences, many of them were afraid their organization was weak, that they would have difficulty unifying, and many of them really hoped to postpone it until after the local elections in May of this year, which would have provided them a base for developing a much firmer attack on Marcos after that.

I also agree with Marjorie that while Marcos wanted a fresh mandate, he is not going to get one. Whatever this election has done, it has exposed the deep roots of discontent with his leadership. In terms of Philippine progresses, and I think this again is going back to the issue of polling, it is perception that matters, not actual numbers. All the elections prior to the one in 1981, which I would argue was fairly unusual, there was considerable cheating on both sides.

However, after all the dust settled, people generally accepted the results. This also goes with Marcos' reelection in 1969. I think most people believe he won the election by less of a margin than he actually did. It is a perceptual problem, a perceptual issue on the Filipinos' part. So you have in the campaign today, a secondary area Marjorie mentioned, huge crowds for Cory Aquino. The crowds are not indicative in my view of so much an issue of people coming out to see a movie star. I think it is beyond that. They are there because they support her. That shows overwhelming support among the Filipinos for her as President. And you are not going to see this reflected in any newspapers. You can at this point in time in the Philippines find any number you want—if you look at the Bishop's Businessman's Council report, I don't think that was necessarily an accurate poll on all the issues themselves. Philippine politics are a sensitive issue, one where rhetoric counts more than substance.

I alluded to the issue of percent. I think the fact that the crowds are thus for Cory is really a reflection of popular will rather than stargazing.

Again Marjorie mentioned the issue of organization. We can tend to overemphasize organization in the Philippines. Marcos does have an extensive organization. However, in the Philippines the wealth that trickles down doesn't necessarily trickle that far. Many of these people, the barangay captains and others are suffering just as much as the people they represent. If you look at the military, for example, Marcos bought off generals and colonels and other people, but if you go in the field you also recognize that the captains and lieutenants are not benefiting from what he spread out. So their loyalty is questionable too.

In terms of this election, which really is a watershed in Philippine politics, it puts tremendous pressure on people to reassess their own loyalties, as Mr. Gregor mentioned. Personal loyalties are really transcendent but that doesn't necessarily mean that they are always loyal to the people they were initially loyal to.

Obviously in my mind, that was one of the first actions of Marcos, one of the reasons why after martial law he outlawed political turncoatism in the political process.

He himself had shifted parties and he was aware of jumping horses in midstream if it looks like the other horse is going to win. In the case you have today in the Philippines, where Marcos'

health is in question, the poor economy and everything else, Marcos' supporters have to make an assessment as to where their family futures are going to lie, and they have to shade their differences. This doesn't mean to be a bandwagon of defections, but what it means in terms of the efforts that are made by supposed Marcos loyalists, particularly on the day of the election, you will see people shading and hedging their bets.

According to the information I have received, this is already occurring at the highest level of government. People shade their bets. They figure they have to protect their future, and I personally have experienced it in terms of the number of Philippine Government officials that are nicer to me than they ever have been in the past.

I think it is important to not overemphasize Marcos' organization and what it can really do. The same is true of funding. Marcos obviously has hundreds of millions of dollars he is spending in this election. A lot of this money is not just to buy votes, but to fund lunches. It is to buy tee-shirts, it is to buy transportation, it is to buy walk-around money. That doesn't necessarily mean these people are going to vote for Marcos. It doesn't necessary mean that Cory needs that much money. Obviously she is not spending millions of dollars to get 250,000 people to attend one of her rallies. She doesn't necessarily need as much money as Marcos.

On the media, I agree with Marjorie completely on what is going on in terms of television for the opposition. I think you can argue whether media access really makes that much difference at this point.

You know, when the issue of Marcos' war record and his hidden wealth issue came up, some journalists asked me, would this make a difference? And I said, yes, it would. They asked me if the opposition or people would hear about it, I said, yes, they would. Marcos is not going to let this die. He is going to mention it every time he gives a speech. If you read all his speeches from the point of the election on, he first started out talking about his war record and how he saved his people and the guerrilla fighting in his days, leading MacArthur to victory, and after the articles began appearing questioning his war record, it is the reverse. And he is justifying what is in the papers.

As Marjorie mentioned, he is on the defensive. In terms of the issues, too, I think it is important to recognize that the issue he really makes is very little. There is only one issue that has had a fundamental issue and that is production.

When it appears a President has gone too far, then the people turn against him. I think this is why Marcos has been very, very susceptible to attacks. He recognizes he is allowed to do so much, but he has done too much and the people know about it. They recognize it in some of their areas. This house may have belonged to Imelda, this house belonged to Freddie. Now they see all the houses and say, that's too much. Marcos is on the defensive because of that one issue.

On the other issues raised, I agree with Marjorie. The legalization of the Communist Party is a nonissue. Marcos himself in March 1982, and even going back to 1972, has called for the legalization of the Communist Party, using the same words as Cory

Aquino. What he is doing is running a political campaign which is a traditional Filipino campaign, the same issues every Filipino President has run prior to martial law.

These are the issues of making himself look like what Americans want, and I think this is one of the real problems of his campaign. He is running it like the 1950's and 1960's. He talks about how he could extend the American bases program, how he is for private investment, et cetera, et cetera. These issues are all the same, and I don't think they really work in the Philippines today because of the problems the country faces, as well as the attitude of the voters.

You are dealing with a population around 70 percent under the age of 30. These people could care less about some of the things and concerns that Marcos raises, and if the older generation that remembers World War II are concerned about the American bases. It certainly doesn't show in terms of the support among the business community and the Philippine elite. I think you can see this clearly.

Again, it is a perceptual issue; it doesn't have anything to do with polls. When I was in the Philippines in September of last year, I attended the Manila Rotary Club meeting. Marcos spoke at it. Absolutely hushed attention to what he was saying. Nobody believed him. And this has come out in the last few weeks, where Marcos has again addressed the Manila Rotary Club, nobody applauded except at the end. When Cory Aquino spoke, people applauded 40 to 50 times. She has the support of the business community.

Marjorie mentioned polls. Again I agree with her. Surveys are viewed as the people coming in, not what a few numbers say.

On the chances of a fair election: it is obviously not a fair election. You know, this has already been detailed at Senate hearings and everything else. To call this election fair is to call somebody pregnant only partially pregnant. The question is, Will Marcos still be in power? Can he steal the election? It is not whether Cory Aquino is going to win. The question is whether he can get away with stealing it. If you ask me that question, and people did a few weeks ago, I will say, yes. I think I am changing my opinion now. I think it is going to be very difficult for Marcos to stay in power.

Getting rid of him will not be a smooth thing at all. And I guess to that degree I would put it a higher probability than Marjorie as the potential for near-term crisis. I think it is going to be very contentious; people have their lives on the line.

It is not just Cory Aquino who has her life on the line, it is the military reform group and AFP. They realize, you know, their chances of living are not very high after this election if Marcos is still in power. This is true of a lot of military people hedging and making their decision, the ones who have been fence-sitters for the last few months on this issue. It is true of the businessmen. They realize they have been very strong in their critiques of Marcos and if he remains in power, their businesses are going to be ruined, and they see this already occurring.

Jepsone, for example, is having his business taken over, attempted to be taken over, by Eduard Cojuangco. And this is going everywhere else. Cojuangco and those people realize this is a live-or-die

situation, and with the passions that have been raised in the Philippines I think it is explosive, and frankly, I would rate as almost 50–50 whether Marcos can survive, which brings us to the long-term prospects. If he does survive, it is not going to be for long. The problem is what kind of Philippines will be there for other people to try to deal with those problems afterward.

Mr. NIKSCH. Thank you. We are going to run over, but I think we should. Because we have many people in the audience, I am sure, who have questions. We also have people in the audience who are equally as knowledgeable about this issue as our panelists, and they undoubtedly have things to say. Let's start the discussion. Before I call on the first person, let me say two things.

First of all, Marjorie made some references to regions in the Philippines. I should have mentioned at the beginning we do have maps on the table that you may want to pick up and have for further reference during the course of the conference.

Second, when you raise your hand and are called upon, please, again, identify youselves so that our recorders will have your names.

Mr. GREGOR. I just wanted to suggest something. American audiences and American policymakers, as a matter of fact, very often dismiss numbers, very often dismiss polls and surveys.

What I suggest is something like this. If we have no confidence in well-conducted polls and surveys, what do we base our judgment on?

Is it surmise?

Is it talking in coffee shops?

Is it prejudice?

You see, what I suggest is something like this. We all have judgments, but the judgment is as good as the data base we have. While we all may speculate as to what the future might be, next week we will know what future might be, I think we have to base most of our judgments on some credible data base.

It seems to me, we have some of that. The other judgments about crowds; the other judgments about my feelings about this; or having responsibility to this person or that person; I think we can all make an appeal to anecdotes.

I don't think anecdotes constitute evidence. They are not an evidentiary base.

Mr. NIKSCH. We will start with you.

QUESTION. I would like to raise once again the issue of policy and application.

Last week Sonny Alvarez, head of the Aquino movement in the United States, announced another poll result, a poll taken by the military reform group, which showed Aquino ahead 3 to 1 in the rural areas and 4 to 1 in the cities. While we may all have skepticism about polling, I am more interested to know about the significance of the poll itself, and what kind of recriminations may be forthcoming.

We have heard a few implications mentioned about this already, but I would like to ask anybody on the panel if they first of all have heard about this poll, if they know anything about it.

And second, having exposed themselves in such a blatant fashion, what the consequences might be for the military reform group after elections?

Ms. NIEHAUS. I heard about those. I don't remember the details, but I think there has been more than one. I am glad you brought up the military reform group, because I think they have done something unprecedented.

They called a press conference a few weeks ago, after Marcos had said, "Aquino is inexperienced, a woman, how can she lead the country—the military won't follow her if she is elected."

The military reformists called a press conference and made the point that they would follow her if elected. They would look upon her as commander in chief.

They also had started things which somehow got stopped. They started having seminars trying to educate military people about how to properly act in the elections. And they said that they won't partake in manipulation of elections.

This shows me a deep disaffection in the military toward President Marcos and also the desire of many in the military to have reforms in their own organization—professionalization.

I think this is part of what was in my mind when I was talking about the potential for near-time crisis.

Although the protracted crisis is the more likely, it is possible that if the election is perceived to be very tainted, some people within the military could take action.

I find this potential military disaffection adding to the protracted crisis. Even if Marcos emerges in power, the military isn't going to be necessarily monolithic and behind him. There would still be a growing fractional situation.

Mr. GREGOR. I would be very suspect about polls, without belaboring polls. You see before the May elections in 1984, Marcos himself, and this is one of the reasons I doubt very much that he has moved to call elections because of the bishop's businessmen's poll, he was told that he would win in Manila big, largely because some of the Filipinos take polls in the most bizarre way.

I asked one director of research, you said how did you get our respondents. He said, I sent people out, I give them a list, he should bring in 10 responses.

You know what means. It is hopeless. Under the circumstances that Marcos received that poll, Marcos can't judge whether data providers followed any rigorous methods in sampling. As a consequence we get a lot of polls.

I have said a great many that are absolutely bizarre. Under the circumstances I would dismiss those unless I know what sampling procedure is.

There are some that have very well substantiated sampling procedures. I think the rest of this is just for display.

The military, I am also surprised. When I talked to the military 2 or 3 years ago, and I talked to General Magnar, and a variety of other people, they said we will defend the constitution. We will follow whoever is President.

They said that clearly 2 or 3 years ago. It didn't strike me at that time as being particularly anti-Marcos. Granted, in response to Marcos statement this response I think, is a very serious one, but

the fact of the matter is, the military is very sensitive to professionalization particularly when they talk to Americans, or make a public display, and I think that is very important.

I do know that military people that I have spoken to said anyone who suggests that we will support Marcos in a dirty election or that we will not follow whoever happens to win election, doesn't know the military. We are professionals and so on.

I think that has been true for some considerable length of time. Granted, I think in this particular context it is important.

I don't put too much weight in the poll results whatever that might be. I think that whatever that was, obviously it was a display for some reason or another.

QUESTION. I would like to ask a question of Professor Gregor.

You mentioned some external support for the NPA. I, for one, and I think most of my colleagues, are very grateful for the evidence you have.

Mr. GREGOR. The only evidence I can refer you to is an essay and survey published in the spring of 1985 that talks about money coming from Western Europe. The surmise is that Western European countries, the supporters of the radicals in the Philippines from Western European countries, are funneling money through a variety of different channels to the Philippines.

The latest report I have seen is a Philippine report on just that procedure. Now, I am not sure what the CIA knows.

I am not privy to their information. The only thing I can report is the public press.

There are a variety of people who have made similar suggestions—that the Soviet Union, for example, was involved directly or indirectly in support.

It would have been another very low risk procedure for any of those countries, Soviet Union or otherwise, to involve themselves at this stage in the game and yet the payoffs would be very high. It would strike me as very odd that the Soviet Union wouldn't use this initiative, because it is a very low risk undertaking.

QUESTION. A few dollars from the World Council of Churches is not going to help the NPA overcome the Armed Forces of the Philippines.

I would like to make another point, too. The current data, I think, is an absolute waste of time. There is another base of the data which we haven't talked about and that is the damage Marcos has wrought on the Philippines' economic, political, and social systems since he has been in power.

He has dismantled all previous political institutions. He has dismantled what used to be a fairly decent judiciary.

He has done enormous damage to the economic system by putting in power his own cronies. He has done an enormous deal of damage to a topic we haven't talked about and people don't really do much research about, the education system in the Philippines which according to reports in the World Bank that I have just read, is in a state of absolute shambles.

This is a data base that is obseverable, and from my point of view, is a damned sight more believable than any system we look at.

Mr. GREGOR. We are just addressing ourselves to voting. We were addressing the issue of the election; we aren't addressing the issue of the conditions in the Philippines.

If you want to address that we can address that.

QUESTION. Why do people vote if it is not on the issue of the conditions in the Philippines?

Mr. GREGOR. That is the point of taking polls and surveys, sir, to see what the public attitudes are with respect to these issues. What surprises me is that the public attitudes, in fact, are favorable, and as mentioned in the beginning, given economic chaos that exists in the Philippines that he would get a 47-percent support in terms of confidence, strike me as very bizarre, and I was just enormously surprised that that is the case.

That is important it seems to me to recognize the fact that we do have hard data concerning the state of education, concerning everything else, but it seems irrelevant to me to bring that up at this particular point.

We are talking about elections and how people's attitudes are reflected.

QUESTION. If you don't think people's actions and feelings about the state of the economy are irrelevant in terms of the election, then I mean what else?

Mr. GREGOR. I don't understand what you just said?

QUESTION. What I am trying to say is that people's feeling about the state to which Marcos has brought the Philippine economic system among the other actions he has taken in the country over the last 20 years, surely is going to be a factor?

Mr. GREGOR. Of course.

QUESTION. In the way people decided to vote?

Mr. GREGOR. But that is why we referred to the polls.

QUESTION. You see, I don't believe the polls.

Mr. GREGOR. If you don't believe the polls, then I don't know what you believe. Intuition from God?

QUESTION. No; I believe the damage that people can see——

Mr. GREGOR. You are making an inference that people then consequently will vote against Marcos because they see the damage in the economy. That is an inference that has to be supported by evidence.

What I am suggesting is that polls indicate that Filipinos have an attitude toward Marcos that is quite surprising. It is revealed in polls conducted effectively by both groups of opposition candidates or neutral candidates, that indicate he has a support base that surprises me, and I think that is important.

Now, if you think that the people are lying in these as respondents that is another matter. You have to give me some evidence for that, too.

QUESTION. I am a social scientist. I have conducted survey work of my own in Southeast Asia, and my own feeling is very strong that when people are polled, they frequently, if not most times, tell the pollster what they think the person wants to hear.

That is part of Southeast Asia and culture. I have seen that for 35 years.

Mr. GREGOR. I understand that. I know what possibilities of errors are. I think you are exaggerating it. If you don't base it on polls then it is just surmise.

Mr. NIKSCH. There is one poll we haven't mentioned today and perhaps some of our intelligence people could comment on it. That was the poll in 1984, 18 months ago, when there was an election there was apparently some cheating.

How much we don't know, but do we have an estimate of what the real breakdown was in 1984 between the KBL vote and the combined opposition parties vote in that election.

What estimate do we have of how it broke down in reality?

QUESTION. Are you referring to the exit polls in the May elections?

Mr. NIKSCH. I don't know how the estimate would be made, but if you have any good estimate?

QUESTION. According to my recollection, the earlier exit polls showed a very strong opposition lead in all the major cities, and the metro-Manila region in general, and a big majority, something like 60 to 40 percent. Then there was a delay in the returns.

The final certification didn't come until 1½ weeks late, and the percentages were just about flipped around the other way.

That is what I recall, and I would be happy to change my opinion if anybody has any other evidence about that.

Mr. GREGOR. The metro-Manila results were constant. That didn't change at all?

QUESTION. Yes; I think there was a direct correlation between the number of outside observers and poll watchers and the consistency of the projections.

Mr. GREGOR. It is very difficult to say simply because we really have no direct, direct polling places. What we have is just the recorded numbers.

QUESTION. If I may, let's just pick it up quickly here, go off polls and get back to the assertions—a very serious one made by Professor Gregor about outside support for the Communist movement.

I have no special concerns. I am just an ordinary college teacher who does his homework carefully. I don't claim to have any special knowledge about this, but on the basis of the public record, as far as is known, this is no significant support for the Philippine insurgency from the Soviet Union, but we have somebody else right here who, if I could ask him to relinquish his moderator role for a second, might give us a little preview of the afternoon panel.

Have you found any significant outside support for the Philippine Communists insurgency?

Mr. NIKSCH. There is money that comes in from abroad. That is my understanding, and it comes from groups in this country.

It comes from groups in Western Europe. The degree of Soviet connection, especially to the Western European groups, is very foggy, and I don't have a clear handle on that.

There may be some, but it is very indirect, and it may not be a substantial proportion, but money does come in from outside I understand, and a substantial proportion of it, we don't know the exact amount, but what comes in often comes through Catholic Church organizations, but it doesn't seem to be the primary financial or material base for the Communist insurgency.

The primary basis for the insurgency in terms of its weapons, in terms of its money, in terms of its food, et cetera, does come from within the country, and that is a very substantial percentage.

Mr. KESSLER. Let me add a footnote to that, Larry.

You know some of my sources indicate that some of the weapons the NPA really are receiving are coming from the Durano Arms Manufacturing concerns in Cabu, and Durano is a Marcos supporter, so I agree with you and David, there is no science about that support.

Mr. GREGOR. He didn't say no sign of outside support.

Mr. KESSLER. No sign of physical weapon outside support.

Mr. NIKSCH. If this relationship is very tenuous, and it is something that we can't get a handle on right now, this is not to say, however, that the Soviet Union is not interested in the situation.

Mr. KESSLER. Without a doubt.

Mr. NIKSCH. I think what the Rosenberger article does say is that there is increased Soviet interest in the Philippines, in the situation. I think the Soviets right now, however, are trying to keep their operations open.

They are willing to play, they are willing to dialog and deal with various groups in the country. I think the main Soviet objective right now is to play upon anti-United States nationalism in the country, and they will deal with different groups and different elements depending on whether they believe these groups or elements can be a vehicle for formulating anti-United States feelings, and in that sense there is, I think, increased communication by the Soviet Embassy's people in Manila with the left, especially on the campuses and with the groups.

On the other hand the Soviets also do play this game with the government, as we have seen. They actively court the President.

They even more actively court the First Lady. They believe that if the strains between Marcos and the United States continues and becomes exacerbated because of U.S. pressure, and Marcos resistance to U.S. pressure, then they try to nudge the Government away from the very close U.S. connection.

They court Mrs. Marcos assiduously, as I think we all know. The recent visit to Moscow was an example of that.

They constantly offer aid programs to the Philippine Government, hoping to increase their presence, so while their role is not very significant right now, they are interested.

Their interest is growing, and if they can further their presence in the country, their influence and their inroads, they will cease upon those opportunities in the future. I have no doubt about that.

Mr. KESSLER. They did not give him a World War II medal for heroism for nothing.

Mr. NIKSCH. Let's go on. Yes.

QUESTION. Mr. Kessler mentioned a while ago that President Marcos gives us an excuse for calling a snap election the fact that the United States is asking for it.

Does this not just reinforce the accusation of the Communists and the American activist individuals of the so-called Marcos-U.S. dictatorship, and also from the U.S. point of view how does the United States regard this?

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Mr. KESSLER. Marjorie, being a Government official, might comment better on American polls than I can. Certainly, it is another piece or item that the Communists can use, or the left can use. There is really very little the United States can do about it though if Marcos wants to hold a snap election, he can call an election.

Using us as an excuse is just one way of getting Filipinos to accept it as something that they should be doing.

Ms. NIEHAUS. I agree. President Marcos, I think, wanted it to be perceived that the United States had asked him to have the elections, which isn't exactly how it happened. That is what he wanted because he wants, in my view, the United States tied to the results no matter what happens.

I am glad you brought up the Communist Party in regard to the elections because the Communist Party it seems has a lot of difficulties within its leadership about what to do about these elections. Formally they decided to boycott the election even though some of their front groups were disappointed. The point I want to make is that the Communist Party looks at both Aquino-Laurel and the Marcos ticket as elitist. The CPP/NPA made the decision to boycott the elections, to try to show their sharp differences with the electoral process. I think in the long run this has actually helped the Aquino-Laurel ticket because before Aquino was accused as being somewhat open to the Communists, even though she said she was never a Communist and tried to project a centrist platform. The fact that they are boycotting it and lumping both the Marcos and Aquino tickets as being in the clutches of the United States is actually helping the opposition to distinguish itself more from the Communists.

QUESTION. I first want to say it struck me as ironic the exchange of this gentleman from the CIA and the gentleman from the University of California. I don't think one would have expected that kind of exchange.

I wanted to ask about reports last week from the folks I have talked to in the Ford Foundation, and NAMFREL observers, and Writer Service Reports, that military personnel are being sent to guard polls.

What will be the impact of that in terms of intimidation at the polling sights?

My second question is how is Marcos—you are quoting enormous sums from say $400 million to $1 billion that Marcos is spending on the elections.

It is my understanding that there is at least a statutory limit on campaign spending.

How are they getting around that limit?

Mr. KESSLER. There is a statutory limit on U.S. campaign funding too.

Ms. NIEHAUS. I think if you asked President Marcos how much he is spending he would say within the limits. Also a lot of it is pork barrel.

He just the other day announced a 10-percent increase in Government wages. And also he lowered the price of gasoline and power. He goes to a certain area and gives a water project, that type of thing.

It is not going to show up in some ledger or some account. Actually I think the limit may be $20 million for spending in the elections, but the Marcos campaign reportedly spent up to $600 million.

Mr. KESSLER. It is interesting when he declares these wage increases, because he has done this a lot in the past, declared wage increases, and the Filipinos realize, especially the Government workers, and the military, there is a wage increase, yet it doesn't really arrive until in some cases several years later, and then it is not really backdated, so they realize that a proposal is not necessarily going to come true.

In terms of the impact of the military intimidations; yes, in some areas the military presence will intimidate voters. In other areas it won't.

I mean you can set a figure to it. You can't say, yes; that military is going to be there and therefore that is going to be a problem. In some areas the military is probably going to be very active in trying to promote a fair election.

I think as Marjorie indicated, the real problem is not, as they are fond of saying in Senator Lugar's hearings, at the retail level, is the wholesale level where the corruption occurs. In some places of the country, people won't vote at all just because of fear or apathy or violence, particularly in Mindanao.

Ms. NIEHAUS. Let me answer a question about the Laurel factor.

Filipinos can split their ticket when they vote. They can vote for Marcos for President and Laurel for Vice President, and they can vote for Cory Aquino for President, and for Tolentino for Vice President.

There is a theory that seems to be cropping up now in the Philippines that if Marcos wins the election, Salvador Laurel will win the Vice Presidency, that KBL organizations, especially outside of Manila, don't like Tolentino, and they are likely to use their influence to bring about a split ticket for Marcos and for Laurel.

Some people believe Marcos is playing it this way. I was wondering how you view this.

Is this a credible scenario?

Is it something that Marcos perhaps is playing or is this another Philippine rumor among so many that crop up during election times?

My own view is that it is a possibility but I don't think it is a likelihood. Filipinos may stick with Marcos but also protest by voting for Laurel. President Marcos himself may like this to come about as a way of getting at the opposition, spreading rumors that would lead to distrust of Laurel in the Aquino camp.

When he was interviewed by McLaughlin on Sunday TV about 1 week ago Marcos said that he liked Laurel and that he would be a good vice president. Marcos may be furthering these rumors it seems to me as a way of getting at the Aquino-Laurel coalition who had some difficulty unifying.

Also, one of the main reasons Marcos may want this to happen is that it would certainly undercut the protest both internationally and within the opposition, of a tainted election.

Mr. KESSLER. Yes; you know the closer you get to this election the more rumors you are going to have, the more conspiracies, and more people telling you things.

As an anecdote, I know we hate anecdotes here, but I had a call from an American correspondent in Manila. He called me up and said, we were just chatting, he had just gotten a call from his bureau chief here wanting him to write a story of the possibility that it might be a Marcos-Laurel ticket because this was a rumor in Washington.

He said it wasn't that big an issue in the Philippines. I think as Majorie described the incident it more or less depicts how this thing comes about. McLaughlin raised the issue with Marcos.

Marcos is not going to say no. It is a classic way that he can take advantage of disputes and split the opposition, to the same degree when he was interviewed on the MacNeil-Lehrer show, he was asked if he would go for an extension of the military bases agreement past 1991. That would be for a big pot of gold. Marcos said well that sounds like an interesting possibility.

We should discuss it with appropriate people. That is the way he reacts to all these suggestions.

Why not? He keeps all his options open. Laurel is an option.

It is just like putting Imelda in as an option. He keeps everything open all the time, but I think as Majorie said, it is unlikely he will do it because he gains just as much with the Tolentino ticket and he hates troublesome vice presidents.

Mr. GREGOR. I think we can make a judgment that really is not too speculative. When they had the May elections in 1984 they did have the military around the polling booth, and 90 percent of the registered voters voted.

How many of them were intimidated is very difficult to say because we really don't have any direct evidence of that, but apparently they weren't intimidated enough to stay away from the polls.

The abstention, I think, rates were highest in the south in Mindanao and the Visayas, but in general the presence of the military didn't dissuade people from actually casting a ballot.

Whether the presence of the military dissuaded people from voting it is hard to say. I don't know.

Mr. NIKSCH. If there are no more questions we will take a 10-minute break.

There is coffee on the table over there. Then we will resume with our panel on economic issues.

[Brief recess.]

Mr. NIKSCH. Let's begin talking about the economy. Probably most of us here are not economists. I am not one, but I know enough about it to know that fundamentally this may be the most protracted and the basic problem for the Philippines now and into the future.

One goes to places like Negros, for example, and hears what is happening there in terms of the depression in the sugar industry, the effects on people's livelihoods, and one comes away, frankly, wondering how the Philippines can come out of this, how the Philippines can begin to get its economy to start growing again, and how it can revive its economic institutions within the context of a sustained pattern of economic growth.

I think we have two very good people here to address those issues today. Mr. Burridge, unfortunately, cannot be with us today, so instead of the three panelists on your program, we have two.

Rick Buczynski, the director of Pacific Basin Services from Wharton Econometrics Forecasting Associates, is a long friend and associate of mine. I have heard him speak on the Philippines before. He was one of the first—in fact, publicly, he is the first person that I know of to have openly predicted, I believe in 1982, that the Philippines would have to reschedule its debt.

He received a lot of criticism for his prediction, both here and from the Philippines, but, of course, history proved him dead right on that issue.

And Rick has done a lot of work with Wharton on the problems of the economy, on the projections in terms of growth on the issues of debt, the Philippines relations with foreign lending banks and the international agencies.

STATEMENT OF RICHARD BUCZYNSKI, DIRECTOR OF ASIAN SERVICES, WHARTON ECONOMETRICS FORECASTING ASSOCIATES

Mr. BUCZYNSKI. We have all lately been very interested in what is going on in the Philippines. We see it on the news, and for those of us involved in Asia, it is somewhat exciting.

It is kind of an unfortunate excitement, but I have been thinking over the last few weeks what is going to happen and are there any ways that the Philippines can get themselves out of this economic and political crisis?

Last night, I went to sleep, and it is going through my head back and forth: Are there any good scenarios we see? Is there anything that can right itself?

I woke up around 4 o'clock from a dream—fortunately it wasn't a nightmare but a dream—of the Philippines, and I had dreamed that I was watching television. It was 1989, and there was "Night Line" live from Manila, and President Cory Aquino was there complaining about the problems of the Philippine economy overheating, growth is too swift, concern with inflationary spirals, and behind her standing were reinstated central bank government official Jamie Laya, and the newly appointed Financial Minister, Dewey Dee, discussing how we can sustain economic growth in the Philippines. And quickly the scene shifted over back to New York, and there was commercial attaché Ferdinand Marcos still pushing joint ventures in the Philippines and addressing, of course, rumors of his ill health.

Well, can something like this happen? Is there any way that the Philippine economy can reach any kind of meaningful economic growth?

Well, the answers to these questions are somehow embedded in the issues that were raised earlier today on the politics and the outcome of the election.

Those are definitely moot points. And we won't have to wait long to find out what new cards will be dealt. The likelihood Marcos will still be in power are great, in my opinion, and I do agree with the panel to a degree.

But at the same time, within this context, what can happen to the Philippine economy in the next 5 or 6 years? I think, this is a very important fundamental issue.

We have all been witness to the economic decay in the Philippines, the decay that is parallel to social and political deterioration. There has been a consensus, reached by people studying the Philippines regarding the cause and effect of the economic crisis. The blame lies with President Marcos in that he has devastated the economy. I will take those testimonies of others as far as Marcos being to blame, certainly in the term of the lack of confidence he instills with multinational and foreign bankers.

I would tend to agree with this consensus. But beyond this, I think there is a more fundamental issue, an unfortunate example, that bad politics begets bad economics, and bad economics begets bad politics, something economists call the simultaneity, where one negative factor is working on another negative factor, and vice versa.

And over the last 2 years we have seen this deterioration accelerate, and one turns immediately to the causes of the problem or at least what are the explosive events that led to their rapid unfolding since 1983, and we see the Aquino assassination.

In my opinion, the Aquino assassination was a straw or perhaps a brick that broke the camel's back, and even if Aquino was not assassinated, I think we would still be meeting here in a forum such as this discussing political and economic problems.

What happened after the Aquino assassination—we all know the capital flight that ensued. The Philippines was forced to suspend principal payments on their more than $25 million of overseas debt, and over the past 2 years, we have had consecutive contractions in real gross national product, 5.5 percent last year and a preliminary report of 4 percent this year.

Let's take that within a more broader context and look at what was going on the last couple of years in some of the neighboring countries in the Pacific, and during 1984 these countries enjoyed a temporary resurrection of the miracle growth experienced in the 1960's and 1970's. And during that time the Philippines saw economic attraction.

The basic macronumbers of gross national product are somewhat meaningless unless you take them within the general context of very swift population growth within the Philippines.

If we take into account population growth, real per capita GNP in the country actually declined probably by more than 15 percent over the past 2 years.

The Philippines faced an embarrassing Latin America-style debt rescheduling, peso devaluation, rundown of international liquidity, high rates of inflation, and amid all this, the bandwagon began to appear—the bandwagon being the IMF, the U.S. Government, World Bank, commercial creditors, all trying to push the Philippine Government down that road of economic reform.

But that road has been somewhat embarrassing and slow to really bear any fruit over the past few months.

In essence, once again from a more general context, while the Philippine's neighbors are gearing up for fierce competition in international markets in the future—countries like Malaysia,

South Korea, Taiwan, the People's Republic of China—the Philippines stood very much alone, trapped in economic and political crisis and struggling for their very survival.

Even if they can recover, I still have my doubts whether they will be well-positioned enough to be able to have any type of sustained economic growth given thinner markets that are likely to be more prevalent in the future.

The question really at this juncture, is there a chance? Can this cycle of deterioration, both economic and political, be reversed?

Well, if we really didn't have any hope, I don't think any of us would be here today. If there wasn't any hope, I would be telling my clients, the multinationals, to forget about your exposure in the Philippines—$1.5 to $2 billion of foreign equity being held by the United States in the Philippines. I'd say, "Don't worry about it, you got your return in the past, get out," if I didn't think there is any hope. What can you tell international bankers? If you really think this is the end, maybe you should cut off your credit lines, write off the bad loans, and go on with life.

But I don't think the story is yet over, although I am very pessimistic.

Larry asked me what are some of the requirements for economic recovery in the Philippines, and I think that we can take two very basic categories of requirements, and everything is related, and everything obviously is related to the political environment. But one requirement is renewed confidence, and I will explain what this means to the Philippines in a few minutes.

And the second major requirement would be structural change, both economic and political change, political and economic reform.

Now, in order to have renewed confidence, I think you have to have the latter in that you need some indication of structural reform, so that these two factors definitely go hand in hand.

We are all familiar with the rescue package that involves the IMF and commercial banks, and the debt rescheduling, the new short-term trade credits and longer term financing. But the package has to hold. The Philippines needs this money and needs these inflows of bank capital and funding from the United States, the IMF, and World Bank to be able to have any hope of economic recovery. That is not that the rescue package is in itself the saving grace, but it is a necessary condition.

How can that package hold together? Well, that package cannot be held together unless, of course, we have confidence, an endorsement from the IMF that there is some movement in the area of economic reforms.

And we have seen some indications that yes, there is some, but there is some question with how far the evidence really suggests that progress has been made.

Bankers are looking at the IMF, and if the IMF pulls out, the bankers will pull out to some extent, so the package itself really hinges on confidence. Certainly, a deterioration will cause this package to fall apart, as it has already, falling apart and coming back together.

But beyond this, according to our estimates, the Philippines over the next 5 years will require somewhere in the area of $12 to $14 billion to finance their existing overseas debt, finance it in terms of

the interest payments and also any kind of principal payments that will come due.

In my estimation, they will not even in the most optimistic scenario, be able to finance the overseas debt through 1990, and, hence, they will require another debt rescheduling. And in order to get a debt rescheduling, another debt rescheduling, they will, of course, have to have some confidence from the banking community.

At the same time, they will be requiring more favorable terms, along with pushing out payments. Once again this is related to the confidence factor.

Well, underlying this confidence factor there are other types of capital inflows besides bank inflows that are necessary, and one, of course, being that of foreign investment; foreign investment capital coming in.

Well, how can we have foreign investment coming in to a country where we have concerns over New People's Army activity, general instability in politics, the potential for foreign exchange controls being reimposed, given balance of payments constraints, and the prospects of ongoing depression?

Unless we have some indications of renewed confidence, foreign investors are surely not going to increase their exposure in the Philippines.

And the final factor, and perhaps the most important factor under this heading of confidence, is the Filipinos' own confidence in themselves. I have talked to several Philippine businessmen and economists, and Larry and I had some meetings in the past with some executives, and we asked them: "How do you expect to have foreign investment in your country if you don't have confidence in yourselves?" In short, I think capital flight and portfolio investment outside the Philippines is a very worrisome sign. So, to conclude this theme, certainly economic confidence is very, very critical.

There needs to be reform, though. This is critical—critical regardless of the regime.

Now, what are some of the criteria for an increase in confidence or some of the conditions that might be necessary to prompt swifter growth?

First and most obviously, the corruption and cronyism of Marcos needs to come to an end. We need further competition in the economy. We need competition to rid ourselves of the well-known monopolies in agricultural areas. Let's not forget that 75 percent of the population derives some income from agriculture, and it accounts for approximately one-fourth of the gross national product of the country.

So, the rural areas require some real reforms, and this has a definite political and social spill-over since that is where the NPA is fighting its war, and I think they might be fighting the war against not just Marcos but, more fundamentally, against business persons who would like to invest in the rural areas. It is the businesses and business confidence that must fight off the New People's Army.

The Government needs a more balanced role, and perhaps even more fundamentally, because of the large overseas debt and signifi-

cant dependence on international trade, the Philippines needs some kind of export recovery.

But there are several problems, one which I mentioned earlier. One is that they are going to face stiff competition from much more healthy economies in international markets. High rates of inflation and recent increases in wages have put the Philippines' products at a less advantageous position vis-a-vis some of their neighbors to enter international markets.

And just the constraints and the overall austerity that will be required to get the balance of payments and external debt into a more manageable position suggest export profits will be, very lean in the future.

Hence, I am not overly optimistic on GNP growth. What do we expect for GDP growth—even if we have political reform and economic reform, whether it is from Marcos or from Aquino?

Well, it was mentioned earlier that some people believe the Philippines may be trapped in a long period of negative growth. I don't believe this is possible. I don't believe that the Philippines can survive with another 2 or 3 years of negative growth.

I think the Philippines will be hard-pressed for economic and political survival even if they grow by 2 to 3 percent, because remember they have a swiftly growing population of between 2 and 2.5 percent per year.

So, even if the Philippine economy could somehow right itself and grow by 2 or 3 percent per year the best I think they can achieve would be, in effect, still a deterioration, and given the losses that were experienced in 1984 and 1985, still a major setback for the country in light of rapid population growth.

Now, the only hope rests in reform. The question, of course, is will Marcos reform? Structural reform leading to new confidence. In my opinion, it is unlikely. If Aquino wins, can she press for reform? I think this is a very difficult, if not impossible question, to answer. Certainly it is unlikely Marcos will press for reform if he is in power. Moreover. I think it is uncertain given the power structure in the Philippines how quickly Aquino may be able to turn things around.

Well, we are all excited. It is a big week for us. I think we do see some hope. Hope is change and positive change, although many of us are pretty pessimistic on the outcome of the election.

The real fundamental question, though, goes beyond regime and asks, is there time? Do the Philippines have time even if conditions are favorable to turn things around?

And I believe that there are precious few grains of sand in that Philippine hour glass, and I also believe that the era of the Marcos style of muddling through is over.

And now, I will ask for comments.

Mr. NIKSCH. Thank you, Rick.

Our next witness expert is Prof. Richard Hooley, from the Department of Economics at the University of Pittsburgh. Professor Hooley has done a lot of work in the Philippines looking at the internal economic institutions of the country and how they work and how they affect the overall economy of the country, and in turn how they are affected by currents and trends from outside the country.

He has written widely on these issues. In his own right, he has been a consultant for the Agency for International Development and the United Nations and has dealt with these issues in those capacities.

STATEMENT OF RICHARD HOOLEY, PROFESSOR OF ECONOMICS, UNIVERSITY OF PITTSBURGH

Mr. HOOLEY. Recently, someone asked me to state in one sentence what is wrong with the Philippines economy. I replied MMN: that is Marcos, monopolies, and NutraSweet. I am thankful that today I can expand on this remark because these one-sentence summaries, even though essentially correct, probably breed more ignorance than they do understanding.

By way of introduction, let me direct your attention to two dimensions of the Philippine economy today which are often overlooked, and which are important from the standpoint of policy design.

First, the Philippines is often thought of as an agricultural country. That is not really true any longer. The GNP is composed of approximately three equal parts: the contribution of agriculture, one-third; contribution of industry, one-third; contribution of services, one-third.

The sector with the fastest growth rate in terms of those contributions in recent years is services; the next is industry.

Second, as I see it, the fundamental problem of the economy—which has been getting worse for at least 15 years is falling real wage rates accompanied by growing unemployment. Without correcting this deterioration in the real income of peasants and urban workers, I don't see any possibility of a military solution to the insurgency problem.

I do not see how any political party can be successful in the longer run without addressing these problems. They have been growing in severity. In a report I did for USAID in 1979, I discussed these problems and pointed out that the Philippines was not doing very much to solve them. I also pointed out that the World Bank would have to raise its sights in its industrial restructuring program if the situation was to be turned around.

The decline in real wage rates now approximates 50 percent over the past two decades. The decline started before Marcos, and it has accelerated since martial law. That is from a statistical data base. I am talking about real wages, which is the money wage deflated by the cost of living. I am talking about wages that are actually paid. I am not talking about minimum wages which are legislated in money terms and are often not paid, especially in rural areas and in small manufacturing plants.

In the past 2 to 3 years, the country no longer publicizes data on real wages. That was stopped about 1981 partly due, no doubt, to the political embarrassment. That is unfortunately the way important economic problems are dealt with at the higher level of the Marcos administration. When I see people, the leaders of a country—for an institutional—dealing with problems by ignoring the evidence of their existence, I get worried about the future of that polity or institution.

Third, and I put this right up front so you can see it and you can comment on it, I consider the Philippine economic system as an integral part of the political system. I don't see it as possible at all for us to talk about the Philippine economy if we are not going to talk about the Philippine political system at the same time.

I see the Marcos model of organization and control like a table with three legs. One is the political system. The second is the economic system, and the third is the military organizations. This model is not at all that unusual in its conception, having been adopted in general outline by others, such as Park of Korea. The table stands only as long as these three legs stand. Take one leg out, the table collapses. The unique aspect of the Marcos model is in its implementation: extreme politicization of the economy. That is why there is so much worry inside and outside the country about the economy. If this "leg" collapses, the whole table will fall.

Let me just review, as I see it, the economic experience in the last, say, 12 years. Two weeks before martial law was declared, I happened to be in Manila. Both agricultural and industrial growth had been reasonable over the previous 5 years. Real wage rates had fallen somewhat from their historic highs in 1960, maybe by 10 to 20 percent or so, but economically I couldn't say that the country was in any kind of terribly serious condition.

It was disorganized, though, terribly disorganized. Tourism was zero. Foreign investment was virtually zero, and law and order was in a precarious state. Gangs circulating in the rural and urban areas made people feel unsafe. People couldn't drive outside Manila. They were afraid of being hijacked.

Then we had martial law, and the restoration of a certain amount of order. Many Philippine businessmen and important political people welcomed martial law at that time. Carlos Romulo, a prominent Philippine statesman, openly supported it, claiming it was necessary to bring order to a "new style" of Philippine democracy, whatever that was. The State Department never raised any objections.

Within a year the economy began to move ahead rapidly. The World Bank came in, helped install an improved rural infrastructure. Agricultural output began to increase rapidly. Agricultural productivity or output per hectare began to increase.

Rice production increased. There was a land reform program. Then Philippine economic prosperity received another big lift: the rise in prices of primary commodities. International prices of Philippine commodities hit historical highs from 1973–75. Never before has sugar hit the price that it did in 1973. Never had copper seen prices like 65 cents per pound, and you go through the metals and the other exports, logs, plywood, and there it was: the primary commodity boom of the century. In addition, the country became virtually self-sufficient in rice production, actually exporting rice in a number of years.

Then something happened. First of all, of course, as I say, the declines of those commodity prices began about 1974–75. The economy in the Philippines, the industrial sector, took a tremendous jolt in 1975. A drop in commodity prices was accompanied by a drop in export volumes, particularly of sugar exports. The crash in sugar prices and production was particularly significant because sugar

has the biggest multiplier effect on the economy, much more than copper, gold, silver, lead, even logs. Because in sugar, a very large part of export receipts is used to hire additional workers to produce sugar cane, so the receipts are diffused through the agricultural economy, impacts on employment and tends to raise wages.

So sugar took this tremendous beating. Industrial production in my calculations fell by 25 to 30 percent between the third quarter of 1975 and the end of 1976—this decline was not entirely reflected in the official figures. Industrial production after that point slowly climbed back, and by 1980 it was about a little ahead of where it had been in 1975. However, in the interim the labor force continued to increase by three-quarters of a million each year. This kind of performance in the industrial sector was by no means sufficient to absorb even a small fraction of the labor force additions, and what you began to have is increased people unemployed and increases in workers being employed for political reasons and so on, and now output per worker accelerated into a rapid decline.

By 1980, the industrial sector had been considerably weakened at the point where the gains in agricultural productivity were already being more than offset by the losses in industrial productivity, so by this time the fundamentals for growth were really eaten away. I agree with some other commentators that the murder of Aquino was kind of a political incident which gave opportunity for people to begin to ask questions about the overall situation.

Now, what went wrong in the industrial sector? Of course, the regime points to these drastic declines in international commodity prices, and as I say, that is an important fact. But there is something more fundamental that was going on. I don't have time, I think, to describe this in detail. I can give you a scenario.

Essentially, what was happening is this: with the centralization of political decisionmaking after martial law, the economy became kind of a hand-maiden to the political system, and the economy was given out in piecemeal, as it were, to those individuals who would give unquestioned allegiance to the political system. That, of course, completely destroyed incentive.

Now, it had two effects: not only did output per workers accelerate downward, but there is another one, which is more hidden but particularly devastating to the country's external position. Output per unit of what we call intermediate inputs declined steadily and faster and faster. For example, if you knit sweaters and you have to import the yarn, that yarn which you purchase is what we call an intermediary input.

A great quantity of these intermediary imputs that is imported. When output per unit of intermediary accelerated its decline, it meant that country was using more and more of foreign resources to produce the same industrial output, so the balance of payments, particularly the trade balance, has been in deficit most years, even when export prices were high, because every time there is a big increase in sugar prices or something else, the receipts eaten up by this voracious appetite of Philippine industry for these imported inputs, increasing as I say for any given level of output.

Eventually, of course, you get the problem of the slowdown. Now, the slowdown aggregates the employment and the wage problem. Now let me get back to the military dimension. The slowdown in

industrial activity is critical because it is really industry and agriculture which are carrying the country.

As somebody mentioned, every year the economy is putting forth three-quarters of a million people to be employed.

Agriculture can no longer pick up three-quarters of a million or so of these people. Even with the rice revolution and so on, and all the improvements in agricultural productivity, there is a limit to how much of this three-quarters of a million Philippine agriculture can absorb. So it has got to be absorbed over an industry. But industry is being used as a tool for political centralization. So you are not getting the kind of output and employment expansion there in industry that is essential.

The result is that more and more people are being forced into marginal farming activities, marginal unorganized services activities, and the consequence is the real wage rate is declining. It is going to continue to decline. It doesn't matter how many legislative laws that you pass. There is no possibility until you break this vicious circle.

Now, let me get into the issues. What is the possibility of reform of the Marcos administration? I do not see any possibility, and I am in disagreement with some people on this point. I don't see any possibility for piecemeal reform, because you are asking the people who have invented the system essentially to commit political suicide. Because if you remove the levers of control into the economic system, how will the political system maintain itself? This political system never developed the kind of grassroots organizations which would provide peasant/worker allegiance. The allegiance is all in terms of the elite. Piecemeal reform is therefore not a feasible option. It is just going to result in a shell game, so we break up this monopoly here. Then we create another one over there. I don't see that you can expect the ruling elite to do otherwise. To expect otherwise, as I say, is to expect the impossible.

But powerful forces are bearing down on the people in political control. There is the decline in output and productivity in industry, the failure of agriculture to grow fast enough, the increasing rate of population growth, which is accelerated by these policies, because declining standards of living tend to accelerate population growth. So there is really a vice closing.

Let me just comment on a few policy issues quickly, and I think we will want to go to lunch. Hidden wealth. Has anyone looked at the balance of payments? All this talk about hidden wealth. Has anyone looked at the balance of payments of the Philippines and seen the outflow of short-term capital burial in the error and omission line? That outflow of capital becomes truly large precisely in 1978–79, when the U.S. Treasury bill rate went to double digits that is, 12 to 14 percent. Data on the rate of return of manufacturing assets in the Philippines suggest an average of about 6 percent at this time. Who is going to keep money invested at 6 percent when you can get 14 percent outside? There was a broad shift of funds from the Philippines to the United States at this time by most people with money.

Plenty of people both inside and outside the administration moved their money out. As interest rates in the United States go down—and we are now talking of long-term corporate bond rates,

at around 9 to 9½ percent—that is going to help the situation, but you must get the rate of return up in the Philippines. In 1983, I estimate the return on manufacturing assets at less than 3 percent.

On the U.S. bases, I wish the Defense Department would come out and be up front with us on this issue. The bases represent a tremendous economic saving for the United States, what economists call an "economic rent" for the United States.

The cost of moving the bases is large. You almost have to have an increase in the U.S. tax rate just for that purpose alone. I estimate it is going to cost—you are talking $7 billion to $8 billion. You can buy 4 to 25 shuttles for this—just to move the bases. That is not the cost of maintaining them at any new location, which is also quite substantial. It also does not include any additional military equipment, which is also very substantial.

It seems to me that the arguments in favor of the need for those bases solely on the grounds of military strategy and so on, I think that that has been exaggerated, and the problem for the United States of that economic rent has been underplayed very much. Do you see what I mean?

Probably the Navy and the Air Force realize the money, but say, "Look, let's talk about the military strategy elements and not talk about this dollars and cents element." But the Filipinos increasingly realize that there is an economic rent, and that is why no matter who you negotiate with in 1991, they are going to charge us a lot more, and the game is to get in the best bargaining position now for the United States.

The Filipinos will do the same thing if they are sensible. Whoever you bargain with, they are most probably going to keep the bases there. Who could have the bases go? The bases "rent" is equivalent 10 percent of the total tax revenue of the Philippines. Not to mention the even larger income multiplier from all of the salaries that go to 35,000 workers in Subic base alone.

There is an economic rent there. I think we are going to have to split it with the country regardless of who is in power. The bases is an economic issue. They are also a strategic issue, I think, but we ought to have a balanced discussion of that, and not talk about it as purely a strategic issue.

Also, let me just say this in passing. The United States ought to be making efforts to force the Russians to pay a rent for Cam Ranh. Does that make sense? And that is involved in the opening of Vietnam to foreign trade.

I see those two things as not independent issues. Let me say just in closing prospects, I think the problems are very serious. Whoever wins the election has to deal with these problems. I don't know what Aquino's capability is. I do know this, though, I see two promising things. One is that on the basis of my conversations and work with Filipino professionals, I would say that the generations under 35 have a very difficult outlook than the generation over 35, just using that as a cutoff point.

Younger people are much more professional and are a lot less inclined—I don't say uninclined, but less inclined—to the whole patron-client relationship, and are now beginning to understand that if it is going to make it, it is going to have to make some effort and so on, and these are well educated engineers and so on.

I think there is a real possibility there, and some of those people can lead business, I think, under a different kind of socio-political model. The second point is that I hear all about these similarities between Iran and the Philippines. I would say the closest similarity is between Indonesia under Sukarno in 1965.

The Catholic Church in the Philippines in the last 10 years has probably been more reformed than any other institution. Under the old Cardinal Santos, this was an appendage of the elite, but under Cardinal Sin it is a totally changed institution. This cardinal could run the church in Poland, he is so politically adroit, and he has got a lot of grassroots support. It is a totally different institution than the Suni-Muslims.

The analogy with Sukarno is appropriate because he bungled the Indonesian economy so terribly. It was the economic students from the University of Indonesia who led that march which eventually resulted in his being thrown out of power. I think that the bungling of economic decisionmaking in the Philippines is the weakest leg on which Marcos is now standing, and if he continues he will also be thrown out. I would think that U.S. general policies should be not to get close to this administration. Keep drawing back, although obviously there are limits to how far you can draw back from a country with historic relationships and a large foreign trade.

You can't draw back that much from the Philippines, but I would say it is quite dangerous to get close to this particiular regime or think of it as being likely to remain in power for a long time.

Mr. NIKSCH. Thank you, Professor Hooley.

Do we have any questions?

QUESTION. First of all, I would like to apologize to Professor Gregor for my outburst. I really feel very strongly about polling in Southeast Asia, which I have been following for a number of years. I did mention the educational system, and something just to add to your sense of pessimism, the World Bank report that I read which was written, I think in the early 1980's, referred to a process in the Philippine education which started in 1975, which was an institution by President Marcos of a dual language system of education in all schools.

The World Bank Report said the consequences of this was that by 1981 or 1982, some 57 percent of sixth grade students leaving school were semiliterate in either one or the other language, and the final sort of clincher in this report was perhaps, just a thought thrown out, perhaps this failure of the educational system may be one of the reasons why the Philippines is not turning into a NIC as other countries are in Asia.

Mr. NIKSCH. Any comments on that?

Mr. HOOLEY. Yes; I do feel that there is a deterioration in all of these activities. I just spoke about the economy and the industrial sector. Education is one of them that worries me. I don't know about the language as being a specific problem. Korea has a dual language structure—I mean Koreans use both Korean and English, so I don't see that dual language is something of an impossible burden on a people.

I don't think it is impossible.

QUESTION. The World Bank Report just did not stress the language divergency aspect. It also stressed the amount of resources generally being placed in the educational system, which it found by far and away the lowest in the Asian countries the survey looked at.

To refer to the issue of balance of payments, in the last several years although we had fluctuating levels of gold holdings on the part of reserves, there has been a very substantial decline. That is just an observation. But both presenters gave us a very dim picture of prospects, although we all agreed that reform is absolutely essential.

The reform in the Philippines, economic reform in the Philippines, will in part depend on the World Bank situation, which is not that promising in this decade, so we have an external negative which will add to the domestic negatives that exist.

The question that I have is do we have or does the Philippines have time for reform needed before social unrest can become more evident, and perhaps become a full-fledged domestic insurgency, irrespective of anything that we now call the communist insurgency?

Mr. BUCZYNSKI. I think given the fundamental factors of issues such as potentialism, international competition, leaner markets, the likelihood of the ongoing weak primary commodity prices which the Philippines are still dependent on to try to boost their foreign exchange holdings, I tend to be very negative that cards that are dealt externally—maybe the saving grace will be lower oil prices, but a simple calculation suggests that this in itself is not going to be a saving grace.

Given that, and given that World—had this happened to the Philippines, the Philippines righted themselves in 1982 or 1983. They might have been able to hold on to the trade bonanza of 1984 to pull themselves up. That means it may not be hunky-dory from then on it, but it means they would at least have a chance to pull themselves up.

Now it doesn't seem like we will have the likelihood of a 1984 banner year coming on in the next few years which leads to the conclusion that it perhaps is too late.

Another point, just going back on your reserve question, I was just over the past couple of days looking at some of the new balance of payments, anything that comes up in the Philippines, they are very good, starting to revise the reserve holding, and they also have had significant revisions to statistics that are known as errors and omissions which are in general thought to be at least possible capital flight.

If you look at over the past 5 years, since 1980 or at the end of 1979, what you see is the following: an increase in bank debt of about $13 billion. This almost completely is being matched by the crude current account deficit, so I mean this may suggest that all that bank funding that was coming in was not going to productive means, but rather just servicing the inability to put the current account in a position of surplus or close to surplus.

Mr. BUCZYNSKI. On the other side, we go down those accounts further. As you mentioned, reserve position, the international liquidity position, since 1980 have dropped off by approximately $1

billion, depending on what type of measure you use for international liquidity.

It is surprising, you would take in that same time period, add up errors and omissions, the capital flight almost identical to the drop in reserves. So they find themselves in a position where, yes, there has been a lot of movement of capital out of the country, post the observation of 1978 and 1979.

Mr. HOOLEY. If I had my druthers, I would focus policy on industry.

The Ford Foundation, Rockefeller Foundation, USAID, and World Bank have done a very good job in focusing policy on agriculture. Now the time has come to shift the focus to industry. I agree very much with the assessment that the outlook for foreign markets is not terribly good. Even in coconuts, there is a technological change coming up which might threaten coconut markets. I hope the same thing doesn't happen in coconuts that happened in sugar.

But if we can increase the efficiency of industry, that will generate the employment and make possible at least a shot at stemming this decline in employment and real wage rates. I would institute some new incentives to improve methods of production. Stimulate technical change. You can't copy the United States, Korea, or Taiwan—technical change has to take place inside the country. There is no relationship at present between the science community on the one hand and the industrial or, you know, political leadership on the other.

I think the place could be put together—talk to the Navy people about Subic Bay. They will tell you this is the most efficient operation virtually outside of the United States. These guys are so talented they can fix radars and F–16's and whatnot. People can do it inside the country. And that is the key.

I wouldn't get mesmerized about the foreign accounts, although they are important. I wouldn't put too much emphasis on the country's external position. Improvement in industrial efficiency is the key; production, jobs. If these can be successfully handled, the foreign accounts will improve.

QUESTION. Are there any prospects for converting the military economy to any civilian applications? Is there any commercial application, shipyards, commercial shipyards, anything like that, or repair facilities or any other civilian economy possibilities for those sectors you just mentioned?

Mr. HOOLEY. I never thought of converting military facilities to civilian uses. But the prospects of making the Manila port a transshipment and repair center also excite me.

QUESTION. I was thinking of the British withdrawal from Suez. There is a big conversion in Singapore, those facilities. Could that be done in the Philippines?

Mr. HOOLEY. Conceivably, but you need an environment that stimulates the desire to do that. The present one will not stimulate it; it will crush it.

We want to talk about the bases. I have a lot of ideas on the basis, but—I don't want to get sidetracked.

Mr. BUCZYNSKI. If you look at the focus on agriculture, just to perhaps punctuate this somewhat, take the case of the People's Republic of China, where a lot of their economic, their targets have

been to have balanced growth between heavy and light industry and not neglecting agriculture at the same time.

I think you need a balanced approach also in the Philippines where the future may hinge on industrial period, international competitiveness, and the proficiency issues. At the same time, given a large segment of the population still depending on agriculture, we may need to get to the near term, to have a chance for survival still some attention given to the agriculture segment.

I think we may need some kind of balanced approach to yield any kind of results or lead to the situation that could sustain them on the longer term.

Mr. NIKSCH. Let me ask a question. One of the issues that the Congress deals with is aid, including economic assistance to the Philippines. There have been proposals by some Members of Congress for a massive increase in the United States economic assistance program to the Philippines if President Marcos undertook the reforms that the United States is pressing upon him.

The amount of money that would be involved in any such program is hard to say. Some people talk about such a program in terms of aid to Israel or Egypt. I guess we are talking in ranges of $2 to $4 billion a year.

Realistically, that may be out of the question. Perhaps a program like this, should it ever come about, would be somewhere in the range of $700 million to $1 billion per annum.

If such a program actually did come about, through the existing development assistance programs and economic support fund programs, what kind of impact would it have on the economy and the Philippines' financial structure?

Would this be a real option for turning this rather dismal picture that you both portrayed around or would this money essentially be a drop in the bucket, more drops in the bucket that never fill up?

Mr. BUCZYNSKI. I think moneys of those amounts are definitely significant and could help the Philippines. I don't think within themselves, though, they can turn the economy around.

I think the way maybe you should look at it is maybe that it is the carrot to any kind of economic reforms, at least potentially, but there is a stick to economic reforms and that stick is being held by Marcos' cronies, and the carrot and the stick are occurring at the same time.

So even if—you know the question I have is, what is the likelihood of something like this happening? It is one cause versus another potential cause. And I am really kind of leery on the prospects of a program like that going through for these reasons.

Mr. HOOLEY. You are asking at this time for kind of a two- or three-sentence answer.

I would say without fundamental institutional change, I wouldn't put my bets on $700 million a year doing much. The required institutional change would have to run so deep, not just piecemeal reform—it would have to run so deep that I can't see it occurring without some kind of fundamental shift in political power. Do you know what I mean? Where decisions are made by whom, under what conditions, what are the ground rules?

Mr. NIKSCH. This would be a more fundamental shift than just a shift from Marcos to Aquino. Is that what you are saying?

Mr. HOOLEY. That might be the thing which could bring it on. We don't know yet because we haven't seen all that much of what Aquino's program might be. But it would require, even if Aquino gets in, adding new groups to the elite, as someone at the United Nations, a Dutchman with a lot of experience in the Philippines, said to me one day at lunch, he said, "You know, don't blame Marcos alone for all these things; he couldn't do all these things unless he had lots of support among the elite."

For what it is worth, if Aquino winds up—of course, if there is a shift of power, these people will try to come over to the other camp. If Aquino winds up with the same elite package Marcos had, you will not have much change. You will have to look hard at what groups are in the Aquino cabinet to see what change has really occurred.

Mr. NIKSCH. We had a question back here.

QUESTION. Both speakers addressed themselves, especially Professor Hooley, to the partitioning of the economy, so to speak, among the various parties present, and the economy as a result of that.

I imagine that both of you have serious talks with Philippine economists. I am just interested in finding out how these professional economists reacted or have been reacting to the way the economy is going considering that many of them have been involved in putting, running the economy, and also probably many of them might subsequently be involved in a recovery, if that ever comes.

Mr. BUCZYNSKI. I have talked at great length to several economists, both academic economists at the University of the Philippines and also economists in the private sector, and a lot of my views are obviously conditioned by theirs, so we have had a long dialog.

Most of the economists I have talked to in Manila behind closed doors are very negative to Marcos and this attitude seems to be very much in vogue the last few years, even pre-Aquino assassination.

How much they will get involved—the second aspect—how much they will get involved with the recovery, I think if there is a recovery, and if there is, in the event we do have some kind of economic reform, there are economists who have very specific plans on what the sectors of the economy, what to do in what areas. So it is possible that they can help in this area.

I think we should all be reminded, too, there is some very capable technocrats in the Philippines that are well trained and unfortunately have been somewhat constrained in their practices.

Of course, we see Verono saying no to monopolies, so perhaps they are starting to flex their muscles somewhat. I am just wondering how much.

Sure, I think there are plenty of economists in the Philippines to help run the economy. But the question is, will they be given a chance?

QUESTION. I am specifically referring to those people who have been given a chance, or were they never given a chance at all?

Mr. BUCZYNSKI. I am not sure they have been given a fair chance.

Look at the—I mentioned somewhat in jest what happened to Jamie Laya. I think Jamie Laya is very capable and yet several scandals, particularly one involving international reserve overestimation, were perhaps his responsibility but outside of his control or his understanding of the problem, although I think he was capable and he was viewed very positively by international bankers. He was given a situation he knew nothing about and hence he was unable to really perform and have a chance.

So I don't really think they have had a chance. I think Verada is having a better chance, but it is somewhat watered down.

Mr. NIKSCH. One point to make, too, I think in response to your question, I think it should be noted that many of the leading technocrats during the martial law years have left.

I can't name all of them, Paterno, Sicat, and others were right at the top of that group of technocrats that Marcos brought in after martial law. Some of these people have left. Virata, Valdes Penas, and others are still around, but the corps of technocrats seems to have been depleted over the last few years, especially as some of them have departed, have taken jobs in the private sector. Paterno is down to UNIDO now or the opposition in some respect.

Do we have more questions?

Mr. HOOLEY. Could I make one comment? Maybe I can answer your question by drawing a parallel.

Within something like 60 days, two Asians took power under martial law; one was Park in Korea and one was Marcos in the Philippines. There are definite similarities in the structure of power each set up. In the Philippines, income did not grow very fast, to put it mildly. But Korean economic performance sparkled like a comet.

There is a difference, however, in the structure of power, of economic power. In Park's career, he also gave things to his friends, to those who gave him allegiance. He said, "Well, we have here a textile factory. Do you know how to run a textile factory?" "What are your credentials? Run it."

The next year he comes back and says, "Let's look at the textile factory books. Are you doing well? If you aren't, you are still my friend, but we are going to get somebody else and put him in charge."

In the Philippines, that was never the case. Even if your economic performance is substandard, if you give me unquestioned allegiance, "You are my friend; stay in charge." The result, is that nearly 50 percent of the paper in the Philippine banking system today is nonpaying. The industrial and financial institutions constitute an economic graveyard.

Marcos didn't invent cronyism. That is nonsense. But he certainly fine tuned it.

Mr. NIKSCH. To destruction.

QUESTION. Let me ask one last dismal question. It seems to be the question that really your analysis, both of your analyses, lead us to, and that is what happens next? You both say structural reform is essentially and highly unlikely. What happens next?

What is the worst case scenario? How does the unraveling actually work? How does the economic unraveling actually work?

Mr. HOOLEY. I didn't say the political panel said that it is unlikely. I don't know what——

QUESTION. I believe you said very clearly the centralization of political decision making has made the rationale for all the energetic Filipino entrepreneurs not to maximize profits through increased productivity but in grabbing licenses and that is their rational economic behavior. That is the consequence of the political system, which is not going to change, you both think. Structural reforms——

Mr. HOOLEY. I am not trying to shift the burden, but that is where, I think, analysis of the potential for change through this election process belongs.

QUESTION. Suppose he is reelected; suppose the system is not reformed; suppose he stands by his loyalists in the economy; suppose your blooming projections about the external market hold true. This is what I think is your worst-case scenario. Then what happens to the Philippine economy?

I mean, can you just give us that—I don't know if there is such a discipline or subdiscipline called crisis economics, but that is what I am asking you to try to produce here, at least in any kind of breezy, casual way you can. What happens in this worst-case scenario which you both seem to think is unlikely?

Mr. BUCZYNSKI. There is no one here from the Wall Street Journal, is there?

Mr. NIKSCH. No press.

Mr. BUCZYNSKI. We are talking about economic collapse——

QUESTION. Can you say what economic collapse is in about a paragraph?

Mr. BUCZYNSKI. Economic collapse, in the Philippines: I am not sure of the order of events or if it is all that likely, but loss of external credit, total loss of—you are talking about——

QUESTION. Start with that, loss of external credit. Who does that affect in the group? It won't affect the communists very much, will it?

Mr. BUCZYNSKI. No.

QUESTION. Who does it really hit hard?

Mr. BUCZYNSKI. It hits industry always very, very hard, those that are dependent on imports for production and those that have an export market. It is 1984 revisited, but to an even greater scale.

The political ramifications, I am not sure we should leave that to someone else. We are economists here. We don't know that much about it.

The deterioration—if we go back to that—goes down to that degree, if we do have a stoppage in bank capital coming in, if we do have capital flight, which will probably ensure in a crisis of this magnitude, then we will have foreign exchange controls being put into place to try to stomp that outflow, but nevertheless, I think we have, a year or 2 years of continued economic contraction. This leads into the question of social decay and the impacts on politics.

It is very difficult to construct some kind of a disaster scenario without someone plugging in at the right time what will happen to Filipino politics. It is impossible.

What does this mean in terms of the multinationals? What does this mean for them and their investment? I think they would pretty much jump ship.

QUESTION. Can you not make an assessment, one that is most likely to gain in the sort of scenario would be the Communist Party of the Philippines?

Mr. HOOLEY. Yes, because this would hit employment. Of course, the spiraling price level will cut real wages more.

Mr. BUCZYNSKI. It is right into their camp.

Mr. HOOLEY. That is their window of opportunity.

Mr. NIKSCH. One of the things I wonder about is at what point in their growth, if they move toward this so-called strategic stalemate—and that is something else we have trouble defining—at what point do they decide to start shutting down sectors of the economy such as the multinationals?

Now, rather than just tax them, when do they actually start shutting down, attacking them militarily, cutting off their commerce, which I think could be part of a real devastating kind of economic——

QUESTION. I hope you are going to talk about this this afternoon, because I think there is possibility for the NPA to make serious errors of misjudgment in terms of changing from one phase of their strategy to another too quickly, which could end up having their heads chopped off, and perhaps someone can talk about that this afternoon.

Mr. NIKSCH. Well, if there are no more questions, we will adjourn.

And for those coming back, we will reassemble here at 2 o'clock for our panel on the insurgency.

[Whereupon, at 1 p.m., the conference recessed, to reconvene at 2 p.m., this same day.]

AFTERNOON SESSION

Mr. CRONIN. If I may have attention, please, we will get started. It is a little bit after 2. I am Richard Cronin with the Foreign Affairs and National Defense Division of Congressional Research Service. I am going to moderate this afternoon's session.

We have had a very stimulating session this morning on political and economic matters, and I think you will find there is a certain logic to the organization of the session today that you might say we are leading in an orderly manner toward the issues which are perhaps of most critical importance to the United States as a matter of U.S. policy, that is ending at the end with a discussion of the bases question and U.S. military posture in the Western Pacific.

To begin with, though, this afternoon we are going to talk about the issue which perhaps has given more cause for concern about the situation in the Philippines than any other, that being the rather rapid and even startling growth in the Communist insurgency as personified by the New People's Army.

To deal with this, we have two very capable and knowledgeable panelists. Our first speaker this afternoon is Dr. Larry Niksch, my colleague at the Foreign Affairs and National Defense Division. Larry has been with CRS since 1966. He has a long experience of

Philippines affairs, as well as Southeast Asia generally, and particularly East Asian affairs. Larry has followed the Philippines and the political, military and economic questions relating to the Philippines, for a very long time, and has produced over the last few years a considerable body of excellent analytical materials and reports on the Philippines situation.

He last visited the Philippines in early 1985, specifically to look at the insurgency issue, and came back from that visit and wrote a very thorough and very excellent committee print on insurgency and counterinsurgency in the Philippines. A copy of that print was available this morning on the table. I am not sure if there are copies remaining, but it was recently published by the Senate Foreign Relations Committee.

Finally to indicate Larry's expertise in this area, he was last week asked to serve on the official U.S. observer delegation to the Philippines, and as many of you know, leaves tomorrow for that duty.

Let me also say our commentator will be Lt. Col. William Wise from the International Security Agency, and I will discuss Colonel Wise's background in more detail when we have time, when we get to his remarks. Thank you.

STATEMENT OF LARRY NIKSCH, SPECIALIST IN ASIAN AFFAIRS, CONGRESSIONAL RESEARCH SERVICE

Mr. NIKSCH. What I thought I would do is break my presentation down into two parts. For those of you who have not read our study or have not read summaries of it, I will try to just give you a few of the highlights of what we concluded when we did the insurgency study last year.

Second, I will make a few observations about what I think are some of the recent trends in the insurgency and also in government policy, and what might be the meanings of those trends for future developments.

Our study, as Rich pointed out, showed that the insurgency had made very impressive growth since the late 1970's in terms of its military strength somewhere above 16,000 right now in terms of armed regulars, and in terms of political organization building at the lowest level in Philippine society—that is, in the barrios or barangays. We outlined a number of factors which have contributed to this impressive growth over the last 5 years. We described, first of all, various weaknesses in Philippine local government and law enforcement in the towns and in the barangays.

Another factor that we discussed was the worsening living standards in the country, which was talked about this morning; falling real incomes; unemployment; which Dr. Hooley mentioned, also lack of medicines and medical care at the grass roots, malnutrition, which is a growing problem in many areas of the country, as contributing to the appeal of Communist Party organizers as they move into these areas.

Third, these problems have developed, and in certain specific areas they have contributed to a breakdown of the existing social structure and support systems; Negros Occidental is perhaps the best example of that phenomenon today.

Communists organizing at the local level have gained through a lot of experience, a lot of trial and error, a good deal of sophistication now in establishing links with people in the barrios and in using those links to build political organizations. Military abuses of civilians, we concluded, contributes substantially to the growth of the insurgency after it has already started in areas and after the military has moved in to deal with it. It is like pouring gasoline on a fire that is already under way.

Then finally in the cities, we have seen increasing Communist-led or Communist-influenced political activities. We cited in the urban areas the political unpopularity of the Marcos government with key groups.

The study went into Communist strategy, and I think what I would emphasize today is the integrated nature of this strategy, the political and military being closely coordinated and mutually supportive to one another. We looked at the three basic elements of Communist Party strategy: the building of party organizations in the grass roots; the armed struggle, which is an outgrowth of this political organizing; and finally in the urban areas, the united front strategy of influencing non-Communist sectorial and political groups.

We had a lot to say about the reaction of the government to the insurrection, and to be very honest with you, one could portray it as depressing. The reaction of the government seems to be very heavily focused on military reaction to insurgency once it comes into play in different parts of the country.

At the local level, in the towns we find town mayors and barangay captains forming the Civilian Home Defense Forces, which of course have received significant publicity and increasing notoriety over the last few months. When insurrection reaches a certain level of seriousness, regular Armed Forces of the Philippine units move in. In the worst areas, it is often the elite marine and scout ranger units that come in to deal with it.

Intelligence operations are conducted extensively in the cities and in the rural areas. We concluded that in the cities they are probably reasonably effective, at least in terms of gathering information. In the countryside they are very ineffective.

The government has many problems at present in dealing with the insurgents, and we outlined a host of these problems. Going back again to the weaknesses of local governments and law enforcement at the grassroots, this leads to a basic lack of security and lack of peace and order capabilities in the towns and in the barangays. Police forces in the towns are notoriously weak in terms of training and in terms of equipment. The CHDF units receive little training—the Civilian Home Defense Forces—and apparently sometimes no training at all. Recruitment standards are applied very unevenly, and of course we have read increasingly of the role of the CHDF in the problem of military abuses.

Military and civilian relations are strained, not only because of the abuses problem, but also because of widespread Filipino perceptions of corruption in the military. We said that there is a fundamental problem with the Filipino constabulary in this context, and we also again alluded to major deficiencies of the Civilian Home Defense Forces in these areas.

A third area where the government has real problems and deficiencies is in military resources. This not only affects their operational capabilities, but also erodes morale and contributes to the military misconduct problem. The resources problem is across the board: transportation equipment, lack of communications equipment, short supplies of food and medical equipment, and very low pay, not only for the enlisted men but also for officers.

Training was a fourth area that we talked about. It is of doubtful quality. That was a basic conclusion that we drew. There seemed, from the researh we did, to be little standardized training in the army and in the constabulary. The marines appeared to be somewhat of an exception to this rule. There are few central training camps. Recruits, when they join the army or the constabulary at least the majority of them, seem to be trained actually in the units that they join, in short, on-the-job training.

Finally, in alluding to a previous study that we did, we talked about the lack of non-Communist political unity and consensus, in terms of how to deal with the problems of the society and how to deal with the insurgency. We heard a lot about that this morning, so I won't go into any more details about it. Those were the basic points of the study we did last year.

In looking at the recent trends and what some of their implications possibly may be, let me emphasize again that when you look at the insurgency you are talking about a highly integrated military and political strategy, but I will first take a distinct look at the military component of this insurgency. When we look at the military arm of the Communist Party, the New People's Army, we do see a continued and impressive growth in terms of its strength. According to the most recent stated U.S. estimates, the New People's Army has an armed strength of between 16,000 and 20,000.

The Philippine Government estimate is somewhere lower, 13,000 at the present time, but even that estimate has risen appreciably in the last year. There are some estimates that the growth rate in terms of armed strength may be as high as 20 percent annually.

On top of regular forces, there is the village militia, which may be small squads or platoons or may be small assassination squads that are formed in the villages. It is more difficult apparently to estimate the strength of these village militia. Often they appear to be highly integrated, moving in and out of the structure of the regular NPA forces. Some estimates say that the village militia adds another 10,000 or perhaps even 20,000 to the total strength of the New People's Army.

This growth in recent months seems to reflect at least in part the spread of the insurgency into some new areas over the last 2 to 3 years. In central Luzon, commanders in region 3 estimate that the New People's Army has grown from 100 to approximately 800 in the last 2½ to 3 years. In Negros Occidental it has gone from practically zero in 1981 to approximately 600 today, according to Philippine Government estimates. On the island of Bohol, we have seen the first indication of armed NPA activitiues, and in the western portion of region 10, Misamis Oriental Province and adjacent areas, there has been a noticeable increase of armed NPA strength and activity.

That being said, it seems to me that this may have a slightly different meaning in terms of actual NPA military capabilities. At least within the last year, the growth in these numbers may not mean, as I think it did in the past, or as much, a corresponding growth in the military capabilities or effectiveness of the NPA. Let me cite a few factors which I think may lead one to this conclusion.

First, the pattern of NPA attacks over the last 8 months shows a decrease in big unit attacks. When I say big unit attacks, I mean attacks by units of 200 to 500 men. The pattern over the last 8 months has been confined, it appears, more to ambushes, attacks on police stations and small Philippine Armed Forces outposts, and isolated attacks on CHDF units, also assassinations. These kinds of operations seem to be carried out now mainly by smaller sized units, company size and platoon size, in the range generally of 30 to 100 men. Again, the big unit operations seem to be down, for one reason or another.

Second, we are now seeing some evidence that the NPA also has its resource problems, and that this has become or is becoming a major obstacle to what appears to be their plan to form permanent or sustained bigger sized units on the battalion-sized, at battalion-sized level. Communist Party leaders and NPA commanders admit now that they are having difficulty in procuring enough arms and ammunition. All NPA regulars may not have weapons. The Philippine Government estimates, at least on that score, may be correct. The New People's Army also lacks heavier weapons that would give it greater potential for attacks and destructiveness against bigger AFP units and their outposts.

NPA weaponry basically consists of various kinds of rifles; the M–16 apparently is the standard weapon with NPA fighters. There are smaller numbers of grenade launchers as well as machineguns; but when one gets beyond the destructiveness of those kinds of weapons, we find very little, apparently, in the NPA arsenal. It seems to me that the apparent lack of mortars in particular is at present a real limitation in terms of the NPA military capabilities.

Food and medicines also appear to be in short supply. Communist Party literature recently has knowledged that the so-called mass base is impoverished and can't supply all the needs of the insurgency in terms of food and other material supplies. As we mentioned this morning, there doesn't seem to be, except for money coming in from this country and from some sources in Western Europe, is a regular flow of outside material aid coming into the insurgents.

There is a report by the Christian Science Monitor, I believe in late November, that the Soviets did offer arms and other material support to the New People's Army; but the report also stated that the Communist Party leadership turned down that offer. So the result seems to be that perhaps the Communist Party leadership and the NPA military command overestimated their ability to move into a stage of larger military formations.

The case seems still to be today that where the AFP can concentrate its forces, NPA main force activity drops significantly.

Now there is a reverse side to all of this. The NPA can still launch smaller unit operations that I just described, with effectiveness. Recent patterns seem to show increases in these small unit

attacks, ambushes, and assassinations again in ever-widening areas of the country. This in turn strains the resources of the AFP, the Armed Forces of the Philippines, as shown by the recent efforts of the AFP to increase the number of their combat battalions.

This kind of military activty, even though militarily on a relatively small scale, both supports and is the product of growing Communist political influence, and I am going to turn to that in a minute.

One might conclude that NPA growth, and the reach of its military operations geographically will continue to grow, but it also may be the case that the growth of its armed regular strength might begin to slow in the future. The formation of permanent multiple battalions might not be possible in the near future at least, without a significantly larger inflow of weapons and supplies to the New People's Army. But again, there is a reverse side, and the reverse side, as I alluded to just a moment ago, is the political.

All of the evidence seems to lead to the conclusion that the influence of the Communist Party politically has grown markedly in the last 2 years in the Philippines, especially outside of Manila. Communist infiltration of key sectorial groups in the society may be greater than any of us previously believed, including myself. This reflects, I think, a sophisticated Communist Party strategy to capitalize not only on the deep hostility to President Marcos among certain elements in the society but issues such as the worsening economy, military abuses, and a host of local issues at the grass roots which create among Filipinos perceptions of grievances.

They have also, I think, capitalized on growing nationalism that we are seeing in the country today. They are trying, and to some degree may have succeeded, in making themselves appear to be to many Filipinos a legitimate force for nationalism.

Now, at the grassroots, the buildup of Communist Party directed organizations in the barangays, the 40,000 barangays we have talked about this morning, have perhaps reached as many as one-fourth of the total. If you look at the regions like Northern and Eastern Mindonao Samar, Bohol, and most recently, Negros Occidental, one does begin to see a disintegration of local government in the wake of the challenge at the grassroots being posed by these new insurgent political organizations.

Now, coming up from the grassroots, we have the emergence of the Bayan, which is an organization that I believe came on the scene in 1984. It was an outgrowth of some other organizations that sprang up after the Aquino assassination. People differ in how they characterize Bayan politically; but in talking to people in the opposition, people in the Philippine Government intelligence organizations, and also in United States intelligence organizations, one sees or one hears from these people that the national leadership of Bayan and the leadership of many local chapters is either dominated by or at least is strongly influenced by Communist Party and National Democratic Front cadre.

The National Democratic Front is the national front organization of the Communist Party. Estimates given to me are that the Bayan now has political influence over 3 to 5 million people. One can argue what that means in terms of political influence. It is not

monolithic, it is not all encompassing, but it is there, and we do see it in terms of what Bayan is able to do in its day to day operations.

Bayan has been able to organize demonstrations and general strikes in provincial cities involving thousands and even tens of thousands of people. Bayan in the last few months increasingly has resorted to the general strike. Through the general strike, it has shown the ability to shut down provincial capitals almost completely in terms of any economic activity or transportation movement for a period of several days.

There appears to be increased Communist penetration of local labor organizations, and this has contributed in part—not totally, but in part—to the growing number of strikes in 1984, and to the growing incidence of violence that occurred in those labor strikes.

Then we have the Catholic Church. I think one of the things I have heard recently, and perhaps that is most depressing to me, is information and accounts from people which indicate now that the mid-level social action organizations in the church, like the Task Force of Detainees and basic Christian communities appear to be heavily infiltrated and influenced by Communist Party and National Democratic Front elements.

One example that I heard recently: in Negros there is a massive malnutrition problem. The church has set up food distribution centers. I was told recently by a source that I consider pretty knowledgeable that in those distribution centers, where that badly needed food is dealt out, that these centers are now being used for the propagation of leftist, pro-Communist propaganda and political themes to people who come to get this food.

I am told that in Negros Occidental, and I would guess in probably other high insurgency areas, the minority of parish priests who cooperate with or sympathize with the insurgents, while still a minority, is now becoming a significant minority. It is no longer 1, 2, or 3 percent, it is probably much more significant than that.

The Communist Party, the National Democratic Front, and the New People's Army are still successful in recruiting in the universities and from among young people. We have reports recently in the Filipino press there has been a large outflow of youth from the universities and from other parts of metropolitan Manila and other cities into the hills to join the New People's Army. So the political appeal among youth and on the campuses appears to be strong.

Now, there are potential vulnerabilities, and to some degree, some of the successes of the insurgents have increased some of the vulnerabilities. As the front organizations and the organizations that are influenced have grown, the ideological commitment among many of these people involved has probably weakened. The example that we saw in Bayan, for example, of a very emotional debate over whether or not to support Corazon Aquino, probably is illustrative of, at least among a lot of these elements, a rather weak ideological commitment to the Filipino and to Marxism and Leninism.

The Communist Party, too, has not attracted mainstream non-Communist opposition elements into any kind of firm alliance. In fact, some of these opposition groups seem to have tried to distance themselves from the Communist Party and Communist front organizations. Benigno Aquino, Diokno, and people like that have

walked out of Bayan, for example, when they perceived a decidedly leftist orientation to the Bayan leadership.

Also, there is now in the Philippines some recognition that in areas where the insurgency is in or very strong, that insurgent policies, the policies of the political organizations, have become very repressive and harsh in these areas. I would not overemphasize that perception at the present time, but it does seem to be spawning, at least a little bit, as compared to 1 year or 2 years ago.

Now, these are only potential vulnerabilities, and it seems to me that one has to conclude that an effective government strategy is required to exploit them, and this is one of the things that we stressed heavily in our study of last year.

Can the Communist Party take over in the future? Will those military limitations prove to be debilitating? I think the answer to the first question is probably yes, and the answer to the second question is probably no. They still have the potential to win, to take over the country, despite their military problems. But this will require certainly a continued growth of political influence and their political organizations. If they continue to grow politically, if their organizational base continued to grow, this will increasingly affect the basic institutions of the government and of the society and could bring about a disintegration of the institutions of the Filipino Government and society in the forms of political disintegration and structural breakdown.

I think Cuba, in 1959, is a classic example of an insurgency where the military arm was not really that capable, where the forces of Batista still outgunned the insurgency, but where the political defection and decay had taken place to such a degree that within the military and within the structures of the society and government, disintegration took place, and took place very rapidly once it started.

To the extent that the New People's Army military operations are able to support this political strategy, these operations, though on a continued small scale, will be valuable and will continue to be valuable even if the insurgency can't move into big unit warfare. So I think in the future, it seems that we have to watch the institutions of the Government and of the society—and I pointed to some of these, the church, local government—but also the armed forces itself, and the bureaucracy in terms of their political orientation in the future.

Now, how is the Government reacting to this? If you look at some of the recently announced policies and programs of the Government, some do, as they have been announced, apparently address some of the real problems in terms of the Government's counterinsurgency policy, some of the problems that we alluded to in our study.

However, the commitment of the Filipino Government to actually implement these new programs and policies is very uncertain at the present time. They have announced a program to improve the command and control of the regular armed forces over the civilian home defense forces, for example.

They have announced a program to attract insurgents to the Government side through various inducements.

They have announced programs to discipline military personnel.

Again, we don't know at this point how effectively the Government will really get behind some of these programs. They look good on paper, but we just don't know. As I mentioned earlier, the Government has added in the last year, according to my figures—and I can't get quite an accurate estimate on this—but around 15 new combat battalions since 1984.

Given what we said in our study, this actually may be counterproductive. What they have done is apparently taken a lot of people, especially in the constabulary, from desk jobs and put them into combat battalions to increase their overall strength of combat battalions. But if one looks at how these people will have been trained from their desk jobs, one, I think, can raise questions about the quality of the training.

Moreover, the resource problem of the armed forces is so severe that it is hard to believe that these new units will be any better in terms of their resource capabilities than the existing units. New units will add to the strain on the limited resources it has at present.

Moreover, other problem areas are neither addressed or cannot be addressed at the present time. The policy of the intelligence organizations, which we stated in our study, was an important factor in the problems of military abuses. It has not been addressed from everything that we can see.

Weaknesses of local government and of police are problems that may be intractable, at least in the near term, because—going back to this morning's panel—there is a definite economic factor behind these weaknesses as well as political and law inforcement factors.

U.S. criticism of the reinstatement of General Ver and other military policies indicate a continued view in Washington that the Government is not addressing the problem at present of the quality of the top leaders of the Armed Forces of the Philippines.

And finally, again, there is this nonconsensus among the non-Communist political community about what kind of society they want in the future and over what kind of policies should be formulated to deal with the insurgency and the other problems in the society. Now, the AFP is making some efforts to deal with the resources problem, and I will end with that positive note. There is more equipment being sent out to units in the field. This may be having some positive impact in certain specific localities. Salaries have been increased for both enlisted men and officers. This appears to be something that is definitely needed.

But overall, I think one has to conclude that, while in the Ministry of Defense and in some echelons of the command structure in Manila there is an increased awareness of the problem, an increased awareness of the kinds of programs that need to be put into effect, there is still this question of implementation, of leadership, and also of political will and where the country is going to move in the future.

So, with that, I will close.

Mr. CRONIN. Thank you, Larry.

Our commentator this afternoon is Lt. Col. Bill Wise, who is Assistant for Regional Policy and Congressional Affairs, East Asia and Pacific Region, in the Office of the Assistant Secretary of Defense for International Security Affairs. His responsibilities include

the development of defense policy, including security assistance, and he focuses particularly on the Philippines and Indochina.

Colonel Wise previously served as Deputy Chief of Legislative and Public Affairs in the Defense Intelligence Agency and in several operational and staff assignments in in Air Force Intelligence in the Pacific and Asia. Colonel Wise has a B.A. from Amherst College in political science and an M.A. from the University of Hawaii in Asian studies. He also attended a number of service institutions and academies, including the Air Command and Staff College and the Defense Intelligence College.

Colonel Wise, the floor is yours.

STATEMENT OF LT. COL. WILLIAM WISE, ASSISTANT FOR REGIONAL AFFAIRS, EAST ASIA AND PACIFIC REGION, OFFICE OF THE SECRETARY OF DEFENSE

Colonel WISE. Thank you very much. That was indeed a comprehensive and most interesting presentation, Larry.

It goes without saying that the Philippines has been a principal concern of the Department of Defense and other elements of the Government for the last several years. And from the point of view of Defense, although the problems in the Philippines are many and varied, our focus naturally has been on insurgency.

As Larry correctly pointed out, the insurgency in the Philippines is predominantly a political problem. It is a political problem which has grown out of social, economic, and political ills which affect contemporary Filipino society, and it is in the political arena that we see the Communist Party of the Philippines directing its principal efforts. That is why Larry's points about the penetration of various sectors of Filipino society, such as the church, the labor unions, and so-called cause-oriented groups, and the development of the party apparatus itself is so important. And I would add to that the increasing problem of accommodation between the New People's Army and non-Communist business officials, local officials, and so forth. This results in assessment and collection of "revolutionary" taxes, which become part of the financial backbone of the Communist effort.

Although the Communist Party of the Philippines is engaged principally in a political struggle and political struggle is its primary strategy for gaining power, it clearly uses military forces to complement its political efforts. The Communists are employing what is called an archipelagic strategy, which deals with the unique geographic setting in the Philippines itself. It is one of the few places with a successful Communist insurgency which does not involve an adjacent Communist country as a support base. But the NPA has successfully used the archipelagic nature of the Philippines without having to do this. The NPS strategy has been to draw the Armed Forces of the Philippines from Luzon and populated areas into the countryside and outlying islands simply in an effort to spread out the Armed Forces of the Philippines and point up by harassment, its vulnerability and inability to provide security in rural areas.

In the last year the New People's Army has probably attracted significant new recruits, but we believe it has not necessarily inte-

grated these new recruits into military units. Nonetheless, the assertion that the New People's Army growth could be figured at around 20 percent is probably not a bad place to start. The numbers of New People's Army insurgents are again uncertain. They don't submit to the head counts, but we guess certainly 16,500 would be a reasonable number to use.

The New People's Army has established more than 50 fronts throughout the Philippines and approximately 20 percent of the barangays are New People's Army controlled or influenced. The New People's Army operations remain geared primarily toward acquiring weapons and equipment from the armed forces of the Philippines. This is done through overrunning small unit outposts or town halls. It is done by actual purchase on the open market. We think very little is acquired from outside the Philippines itself.

One of the things that was alluded to that I think is important to understand about how the Communist Party of the Philippines and the New People's Army operates is the widespread use of violence and terrorism to provide for political control of the population. When they move into a new area and they are consolidating control of the area, the New People's Army often behaves in almost a Robin Hood-like manner. Such violence as they use or terror that they use is to liquidate public officials who are believed or accused of being corrupt or abusive. And less frequently, but nevertheless often enough, especially effective public officials are liquidated.

These elective killings of selected Government officials have a chilling effect on the remaining Government officials and tend to promote an atmosphere of at least avoidance, if not digging in. The result has been a decline of local government in some of the rural areas where the New People's Army has been the strongest, and concurrently, an erosion of social institutions, the glue that holds Filipino society together.

However, when control is finally established, the New People's Army has been ruthless in its use of terror to gain political power. It is this ruthlessness and use of terror that they phase in when they gain control over an area which has caused them to be named by one writer recently the "new Khmer Rouge."

They are not without their problems, however. The New People's Army and the Communist Party do continue to lack a sure and strong source of external support. They also showed some weakness internally in the decision on whether to boycott or participate in elections.

There have been some defections from Bayan, as Larry suggested, when the Communist influenced nature of that organization became evident and the heavy handed techniques of the CPP members became more than the non-Communist members associated with the organization could tolerate. The Government has neutralized some key cadres, especially in the urban areas, and there has been, we think, some disaffection in the countryside as a result of the New People's Army's reign of terror in the areas they control and the incidents of attacks on the population have gotten greater and greater.

That does not suggest that the New People's Army is entering 1986 in a weakened position over 1985. The opposite is indeed true. From our point of view, we see a growing political base and insur-

gent apparatus in nearly every province, and the movement toward a capability of being able to launch more closely coordinated attacks against outlying Government positions. They are increasingly capable of attacking small unit outposts and town halls, which are good sources both of showing political muscle and acquiring weapons.

They have a group of organizations which they have euphemistically called the Armed City Partisan Units, another way of referring to liquidation squads, which are used in urban areas to assassinate local officials. We have sensed a desire on the part of the Communist Party and the New People's Army to increase its use of this kind of urban terror, although the terror itself in urban areas has not been shown to increase greatly thus far.

The Communists will face a critical challenge after the elections, we think. After the Presidential election and local elections in May, they will have to assess where they are and where they are going with their movement. As I said, they are moving toward the capability to develop coordinated urban and rural military efforts, and this, if left untouched by the Government, could produce significant political gains for them, as well as military gains.

We have said in the past, and we continue to think today, that if current trends are projected to the future, the Philippines could be reaching a period of what the Communists would call strategic stalemate in 3 to 5 years. This does not mean a Communist victory. It simply means there would be insufficient capability in the Government forces to root out and eliminate the insurgency.

Likewise, at a strategic stalemate point, the insurgents have not the capability to destroy the Government. It is a standoff, or stalemate. This may produce another perhaps interesting development: a more aggressive CPP and New People's Army program. It might finally challenge the conventional wisdom of some elements of Filipino society which holds that Filipinos involved with the New People's Army are not really Communists, but simply disheartened with the condition of their life and their society. This view holds that, if there were a change in Government, they would come home. This is a view that is popular in some segments of Filipino society. Of course, one has to call this speculation, but it seems to me that that fails to take into account the great coercive power of the Communist Party ruling hierarchy, as well as the physical force that is available through its military arm.

It also neglects, I think, to consider one of the lessons of Pol Pot's Cambodia, where it was believed by many that not all members of Pol Pot's army were indeed Communists. It might not necessarily have been true, but all it took was a small number to bring a reign of terror to that country.

Let me briefly comment on our assessment of the AFP. It is made up of the army, navy, air force, marines and Filipino constabulary. In 1972, this was a force of 60,000 personnel. Today it is 155,000, more or less. The growth has been rapid, but in 1979, as the growth continued, the resources available to the armed forces began to decline. It declined for economic reasons. The Philippines felt the brunt of the worldwide recession and their economic problems were heightened by conditions in their own country. The defense budget in the Philippines in 1984 was about $335 million, 1

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percent of GNP, particularly low for a country faced with the military problems which the Philippines has.

Just to give you a sense of it, look at 1985 figures. Indonesia probably spends in the vicinity of a little less than four times as much on its defense as the Philippines, Malaysia 3½ times what the Philippines spends. Taiwan a little more than twice what the Philippines spends.

Resources are a serious problem, but they are not the only problem. In some respects the counterinsurgency effort of the Philippines Armed Forces can be described as being in a state of disarray.

Part of this is a result of divided loyalties which have plagued the leadership because of the uncertainty over the future leadership in the Armed Forces, but the deficiencies in the areas of mobility, getting out and finding and contacting the enemy, communications, controlling the forces as they move to find the enemy, training, logistics and so forth, have significantly reduced the ability of the armed forces to operate.

Matching this with their budgetary problems—for example, the 1983 budget adjusting for inflation is about half of the 1969 budget—means that military problems have been substantially increased.

The Government of the Philippines recognizes that the NPA insurgency, or the Communist insurgency, is not simply a military problem, and they have made some efforts to integrate political, social, economic and military responses to insurgency.

However, these efforts have been frankly unsuccessful, because of a lack of funds, and because the bureaucratic devices that are required to integrate programs are simply nonexistent.

There have been some positive developments in the AFP. Larry mentioned a pay raise last year of 30-plus percent for enlisted personnel, and 17 percent for the military officers, and there has been some movement of units, people and equipment that were not engaged in constructive counterinsurgency efforts into more constructive areas.

There has been a profound change in the military procurement planning and programming by the Philippine Government. We now work very closely with the Armed Forces of the Philippines to determine how best the United States assistance resources that are available might be used to achieve the principal requirements which they have, which are mobility, communications, and training.

We also have seen an improvement in military operational planning in the Armed Forces of the Philippines, and the Philippine Armed Forces' Civil Relations Service, which is the arm of the AFP which touches the civilian population in the countryside, has undertaken a strong effort to better educate its own forces on proper behavior and the insurgency problem, and to educate the Filipino public, as well, as to the real nature of the insurgency which they face.

There has been some progress in investigation of human rights abuses, and in bringing more of the armed forces into a better discipline situation, but the fundamental problems of the Philippine Armed Forces—leadership, mobility, communications—the funda-

mental problems simply have not been addressed seriously enough to bring them to an end or, I think I would say, even to make a strong enough start to say that there has been significant progress.

To be sure, in the last 2 months, the Presidential campaign has taken front stage and pushed the effort to revamp the Armed Forces to the side, and one would not expect during the presidential campaign period for this to be a significant concern.

That is why we think that the election is particularly important for the Armed Forces of the Philippines. It faces two major tests. The first test is its conduct during the election itself. If it conducts itself as a professional military force, remaining neutral, protecting the constitutional rights of the Philippine people, it will have crossed an important bridge.

And in the postelection period, if the military reform program promised by President Marcos in December is carried out, or the military reforms which Mrs. Aquino has promised during the campaign are carried out, in a strong and comprehensive manner, we think that the Armed Forces of the Philippines has great hope for containing the insurgency, and returning to a strong professional force.

Why? After everything that we have said here, why would someone hold out hope for the Armed Forces of the Philippines in this area? Well, we have been associated with the Philippines Armed Forces probably longer than any other armed forces in Asia.

During the commonwealth period, during the resistance to the Japanese occupation, United States forces and Philippine forces fought side by side. They fought together in Korea, and in Vietnam.

Philippine forces have been training with the United States, taking training courses in the United States, and Philippine military officers and American military officers have been interacting for 50 years or more.

We feel that we know the Armed Forces of the Philippines, so that when we say that there exists within that armed force a solid cadre of professional military officers, who hold professional military values, we think we know what we are talking about.

We think leadership is the key here, but we do not doubt for a minute that professionalism of this strong core of Filipino officers.

That is why we think that, given a good performance during the election period, and given the opportunity for reform in the postelection period, and most importantly, given the resources to allow it to act, like a military force—that is, the ability to move from one point to another without having to commandeer civilian vehicles, the ability to communicate, the commander to his troops, to maintain discipline and control over the troops, the resources to train so that troops are put in the field knowing what their job is and how to do it rather than putting them in the field to fend for themselves—given these things, we think there is a great future for the Armed Forces of the Philippines.

Let me conclude on that note.

Mr. CRONIN. Thank you, Colonel Wise.

The presentations that Larry and Bill Wise have given us, I think, have been very, not only comprehensive, but very insightful and focused on issues.

For any of us who have spent any time in Vietnam over the last 15 or 20 years, I must say that there is a sense of deja vu, when you hear about how the insurgency grows, that it feeds upon, what tactics it employs, and what problems within the government it is trying to deal with.

The only thing that struck me was the difference in scale. When you talk about 15,000 or 16,000 guerrillas, when you talk about a Philippine Army or total military establishment of 155,000, we are talking about a much smaller scale affair than in Vietnam, although the geographic distances are much larger.

We are going to have time now to have some questions and discussion here, and I would like to shut this off about 20 after 3, or maybe a little later, so that we can get on to the next session, but the floor is now open to questions.

QUESTION. This is addressed to both panelists.

Both of you referred to the fact that this is both a financial resource problem and a political problem. I am wondering if there is any sense of what proportions there might be with respect to that mix?

For example, I am referring to instances where the Armed Forces of the Philippines have been particularly successful in either suppressing insurgency, reconstructing government control in areas, the Aracan Valley, for example. I was very impressed, they had declassified some of the intelligence reports and apparently, the Central Mindanao Command had repressed activity after it had become well entrenched.

When I spoke to the commanders and asked them essentially, what do you think made this successful, of course, after they withdrew, the NPA reestablished its contacts, what it said essentially was that it was a matter of resources.

He said we had ways of communicating to the local population, we had information that we could conduct classes and films, we could establish personnel there to provide protection, and then we also built up the infrastructural economy, and this provided jobs.

We had massive defections from the NPA because people were given these opportunities. He said essentially it was a matter of resources. I don't know whether he was being coy about mentioning political will or not, but he did refer to the fact that recently, there have been 28 colonels elevated to brigadier generals, and some overaged officers had been, in fact, retired.

How much of this is political will, how much of this is a shortfall in terms of resources? I was astonished at how little the resources were for the Armed Forces of the Philippines. I think something like $1,400 per capita this year seems to me reasonable in terms of the types of problems they have.

How much of this could be addressed with the availability of increased resources?

Colonel WISE. My view is that resources by themselves will not do the job. It is a matter of leadership and resources. There is no instance that I know of, where a nonprofessional military organization successfully executed military missions over time.

The military organizations which most successfully execute military missions are those that roughly fit our description of professional, that is, nonpolitical, military forces.

Military professionalism is first and foremost a function of leadership, so I would say that political will is not the principal requirement, although political will figures into it. I said earlier that counterinsurgency is not simply a military task, it is a task that requires the integration of all elements of government. But looking only at the military component of the counterinsurgency program, leadership and resources together can do the job, and it can clearly do the job in the Philippines.

Mr. NIKSCH. Let me just comment on that. I think the immediate payoff in a changed political atmosphere, and I would define that as movement toward a consensus or some degree of unity among the non-Communist political community in the country, which is not there right now, but the main payoff immediately from that would be in the urban areas, and it would be among many of these cause-oriented or sectoral groups that are now influenced or infiltrated, but really cannot yet be considered as front groups in the sense that they completely do the bidding of the Communist Party.

They do it to some degree, but there are ragged edges. The ties are not firm, and I think that politically some movement, a movement of consensus, a movement of unity in the non-Communist political community would do a great deal to cut off that kind of trend in the labor sector, in the church, to some degree among businessmen, because apparently in some areas of the country now, prominent businessmen are involved in Bayan, this kind of thing.

In terms of counterinsurgency operations in the rural areas, I agree totally with Bill. Well-led, well-disciplined units use resources effectively. Poorly led, poorly disciplined units do not, and it is not only the leadership on the ground that determines that, but it is the leadership coming from the highest echelons of the military command impact on that, too.

QUESTION. I just wanted to get something straight about the military budget. I understand you to say that there had been a decline, and that puzzles me, because national income, per capita, rose, generally speaking, since 1970.

Fiscal revenues rose. Even in real terms, they rose. The need for the military under this type of regime rose. What strange political process could bring this about, if I have understood you, and you have counted, by the way, the equipment that goes in through the bases' rental.

There is a certain amount of that rental which goes in in terms of used equipment, I think it is, or new equipment or something.

Could you straighten me out on these trends, and whatever the political reasons are behind it?

Colonel WISE. The problem is a simple political decision in the Philippines on how to allocate resources, but it was motivated primarily by problems in the domestic economy. They were racked in the early eighties by inflation. The decline of commodity prices had hurt the export strategy of the Philippines.

Foreign debt became a significant problem, and a determination was made to take from the military sector and invest it in other sectors of the economy or of the budget.

My point is not necessarily that the Philippine Government should have taken another course. That may be so, but the point I was trying to make is that, at a time when the size of the Armed

Forces was increasing, the resources available to it were decreasing, and inevitably that causes problems.

I think Larry pointed out some of the problems. You can correlate some of the problems such as decline in discipline and morale, with decline in available resources.

That does not, however, take away from my answer to the earlier question, that leadership—and I am not necessarily talking about small unit leadership alone, but leadership in its broadest context—is the key.

It goes hand in hand with resources. Likewise, one cannot do miracles with leadership and no resources. We know that regardless of who wins the election in the Philippines, that the Armed Forces of the Philippines will continue to be an important element, an important institution of Philippine society.

It is either going to be an institution which is professionally led and successful in its national security responsibilities, or not. Resources and leadership will make the difference there.

You are also quite correct that the United States, through its security assistance program, provides or tries to provide a considerable amount of resources that are available to the Philippine military.

Mr. NIKSCH. Some of this base money for military aid, however, since the 1979 agreement—I would have to look to get the exact percentage, but it is a fairly substantial percentage—has been in the form of foreign military sales credits, and Bill may know some more of the specifics on this, but my understanding is that because of the financial problems, and because of the high-interest rates that prevailed in 1979, 1980, 1981, actually going into 1982, that they chose to draw down on the FMS funds very slowly, so that there was not a rapid utilization of these funds.

What the total percentage of FMS funds that has been utilized in terms of the amount of allocated is right now, I don't know, but I understand there was a slow utilization for several years.

QUESTION. I have a question. In view of the question of military leadership, Marcos' reinstatement of General Ver, as well as the Lawyers' Committee on Human Rights' recent report on salvaging and human rights violations in the Philippines, as well as other press reports in the Christian Science Monitor and other papers, that the military reform movement may in fact be static at this point, and that the leadership of it may be isolated in positions that are not directly in command of field units, that it largely represents a group that is isolated from effective control.

Are those reports accurate, and what indications if any are there that in fact fundamental reforms in the military structure is likely to take place in the Philippines in the near future?

Mr. NIKSCH. I will just try to answer it this way. I don't have a lot of information or knowledge about the role of this military reform movement among commanders in the field. What information you get at least on the public record deals with military reformers who are essentially in the Manila bureaucracy, in the Ministry of Defense bureaucracy in particular.

Now, they claim they have links of one kind or another with commanders in the field. They make claims that 70 percent of all

officers in the Armed Forces of the Philippines are associated to one degree or another with their movement.

I suspect that claim is exaggerated, but I just don't know. But what is happening in the field, I think, at least in terms of my knowledge, is I think a real gray area in terms of this reform movement.

What we know seems to come out of the Manila Ministry of Defense military structure. These are the people who are the spokesmen, who make the statements, et cetera.

QUESTION. There is another factor that we missed in the discussion. I have been reading reports of small private armies being developed by the growers and various other people who are trying to protect themselves, either from the New People's Army or the Philippine military, or both.

Colonel WISE. That is true. There have been, for years as a matter of fact, relatively large security forces, because of the size of some of the plantations and some of the mining areas in the Philippines.

There has been a history of private security forces guarding business properties. That is true, and I don't think there is any question but what the trend in that direction has certainly not been down, as things have gotten worse in the countryside.

Mr. NIKSCH. There has been a definite buildup of these private armies in Negros Occidental within the last year to 18 months. Many of these are called CHDF's [Civilian Home Defense Forces], and that is one of the reasons why I alluded to real questions about this new program, to discipline and provide moral control over the CHDF.

In some areas like Negros and elsewhere, they are in fact private armies. In Negros, they are being organized by the sugar planters as the sugar grows.

The other private army that seems to gain a lot of notoriety is the one that is alleged to have been formed actually in various parts of the country by Eduardo Cojuangco.

He is supposed to have several hundred armed people in central Luzon, in the area where he is from. I was told that he has also organized so-called private armies in Negros Occidental, where he has sugar interests.

He also may be doing this apparently in other parts of the country, but that is the one that does seem to get a lot of noteriety.

QUESTION. I have two small questions, and one big question. Bayan is legal now, is that correct, the organization Bayan is a legal organization in the Philippines, is that correct?

Mr. NIKSCH. I assume so, yes.

QUESTION. So notwithstanding any domination or influence by the NDF, they are still a legal organization?

Mr. NIKSCH. Yes.

QUESTION. I just wanted to make sure that there hasn't been any change in their status recently, that I may not have heard about.

Second, you mentioned, I just want to doublecheck on something you said. Maybe I didn't hear it correctly, but I think you said something like Communist Party, there are Communist Party units or cells or some kind of presence in one-third of the 41,000——

Mr. NIKSCH. I was taking a figure—Bill and I differed somewhat on this. I was citing a figure that Mr. Armitage gave at this congressional testimony last March. He didn't give this in his prepared statement, but he gave it in answer to a question.

I have used that figure, but it may be incorrect. Bill used the figure of 20 percent. I have seen the figure of 20 percent used in the public domain more recently, so that may be it, the one-third figure may be too much right now.

There may be a revised estimate of the percentage of barangays, where they have organizations.

Colonel WISE. I wasn't speaking of presence. The 20 percent figure refers to areas which are NPA controlled or where the Communists have influence.

QUESTION. How do you measure these two things, controlled or heavily influenced as compared to organizations. What do you look for to come up with that indicator?

Colonel WISE. Believe it or not, there are criteria.

QUESTION. What are they?

Colonel WISE. Generally speaking, some of the things you can look at, whether there is government presence during the day, during the evening, whether the local officials actually provide government services day and night, or day only, whether the military can move into the area at will, or whether preparation is necessary, that kind of thing.

Where you have control, it means what it says. In essence, de facto government. Where you have influence, you may think of that more in terms of a government presence in the day, and an uncertain presence in the evening.

QUESTION. Now to the big question, which is simply, who are——

Mr. CRONIN. That may have to be the last question.

QUESTION. The question is, who are these Communists? Do we know anymore about them? Do we know anything more about their personalities? They seem to give a lot of interviews. I have a clipping file this big of all these journalists who seem to be able to get to them, but I wonder, other than a few of the very prominent ones perhaps who have a premartial law identity, do we know more about the nature of the leadership, where they come from, what kind of background they have?

Mr. NIKSCH. Note that they have a tendency to let their journalists or ex-journalists who have joined them to do their interviews with the journalists who come out to interview them.

Tony Zumel is a former journalist. Satur Ocampo, who did an interview with the Far Eastern Economic Review a couple of weeks ago. So they pit their journalists against the journalists who come to interview them.

We know the leaders, we know their names, somewhat about their background. What the intelligence community has on Rudolfo Salas and Rafael Baylosis and some of these people, the types who went out and actually came up through the ranks of the organization in the seventies. What the intelligence community has on these people, I don't know.

I have never seen in the public domain any real detailed profile of those people. More on Acompro and Zumel and some of those.

QUESTION. Do we know anything about the indigenization of leadership?

If they have spread this far, I am only making a guess perhaps that there is a lot of local leadership, too. Do we know about that, or who they are, if there have been a lot of local recruits from all these different areas of the country, all these separate guerrilla zones, which seem to be a logical corollary of archipelago communism, but is there any evidence?

Have you seen anything which might suggest something new about the leadership, other than the few famous ones we know about?

Mr. NIKSCH. Again, on the public domain, the most comprehensive conclusions on this were drawn by—his name slips my mind—Monroe, in terms of his portrayal of the leadership in Mindanao.

QUESTION. Where did he get his information?

Mr. NIKSCH. He got some access to Philippine intelligence sources, I believe.

QUESTION. And where did that come from?

Mr. NIKSCH. In getting some of this information.

QUESTION. I am really pulling hard at this, because if I am not mistaken, his information came from a priest who was captured, tortured, and eventually disappeared. Is that not correct?

VOICE IN AUDIENCE. It was said that he was taken into the NPA territory by someone from the organization itself.

QUESTION. More than one time?

VOICE IN AUDIENCE. More than one time.

Mr. NIKSCH. I can tell you he did get some detailed intelligence information on the Communist Party in Mindanao, and its organization is history, et cetera. I can tell you that. I know that, because he told me.

QUESTION. Is Ross Monroe our source on this?

Colonel WISE. Not necessarily.

QUESTION. I am pulling hard because we don't want to make any premature conclusions here.

VOICE IN AUDIENCE. As a generalization, when we look at the leadership of the Communist Party in the Philippines, we find essentially no middle-class intellectuals. The character of the leadership changes as you spread out from the politburo, so that there are more people who have gone lesser distances from their homes until you get down to the village, but in between, at the top level, there has been a middle-class phenomenon.

This is not of the rural people.

QUESTION. The Philippine security people have used modal representations of those arrested and who defected. That is the people they have either captured or who defected from the NPA, and they have made a generalization about modal times and median times and so forth.

The upper echelon seem to be largely college, upper class certainly, more generally educated than the general public. Whether this is representative or not, it is hard to say, because these are people who are captives or defectors.

We have to make some generalizations.

Mr. CRONIN. I am sure we go on with this. I want to thank Larry and Bill for a very good presentation. We haven't addressed all the

questions that perhaps people would like to raise, and as a non-Filipino specialist, or I should say a non-Philippine specialist, but someone who follows these affairs, I still find it curious that we can even talk about some of these reform issues in terms of reforming the military or dealing with the structural problems of the bureaucracy or the economy without addressing the larger political question, with a big "P," of the leadership of the country, attitudes of the population about their government and about the process under which they are governed.

But we had to focus on a fairly narrower aspect of this problem, and I think we have done it very thoroughly, and I thank you very much.

We will take about a 5-minute break, and we will come back with the big issue of the bases and their future.

[Recess.]

Mr. CRONIN. I am going to get this started because we are winding up against the final closing time of 4:45 this afternoon. This is our last session, this session on the role of military bases in the Philippines.

The U.S. military bases have been the linchpin in Southeast Asia and continue to play a vital roll in naval operations in the Pacific and Indian Ocean. Without denigrating the sentimental ties between the United States and Philippines, which as we know are quite important, and have deep historical roots.

It is also fairly obvious that this military issue and the issue of the United States military presence is the issue which involves the biggest Uniuted States stake in the Philippines. Today we have a very well-qualified panel to discuss this important issue and the current status of United States bases in the Philippines and the prospects for the retention of those facilities over the future and finally, the question of what could or should be done about repositioning those bases if that were to become necessarsy.

Our three panelists today are Capt. Alva Bowen, retired naval captain, who has been with CRS for many years and who is our senior naval analyst in the division. I would say a little more about Al in a moment. And to my immediate right Maj. Gen. James C. Pfautz, also retired, and to my far right, Adm. Sylvester Foley, who is retired from the service, but is on active duty still as with the U.S. Energy Department.

I will say a little more about everyone's background as the time comes for them to speak. Our first speaker, Alva M. Bowen, Jr., is a specialist in national defense. Captain Bowen came to us about 10 years ago, after a distinguished naval career, including four ship commands and a number of important management assignments, and attendance at the National War College.

Since coming to CRS, Al has been our senior naval issues analyst. He has written extensively on issues concerning Philippine bases and the United States naval position in the Pacific and Indian Oceans. We are looking forward to your remarks, Al. You have the floor.

STATEMENT OF CAPT. ALVA M. BOWEN, SPECIALIST IN NATIONAL DEFENSE, CONGRESSIONAL RESEARCH SERVICE

Captain BOWEN. Thank you, Rich.

In the next few minutes I will outline the military capabilities and strategic significance of the Philippine bases and then compare the three options that we have available if we are asked to leave those bases.

Let me start by saying that from a strictly legal standpoint these are not U.S. bases any more. In the 1979 amendments to the bases agreement we gave control to the Filipino base commanders, so that the base commander is a Filipino officer and his command is over the whole base. The U.S. commanders of our facilities on the bases have been relegated then to the status of the commander of a tenant activity. So I am not going to go back and try to make that distinction for the rest of my talk, but you should keep it in mind.

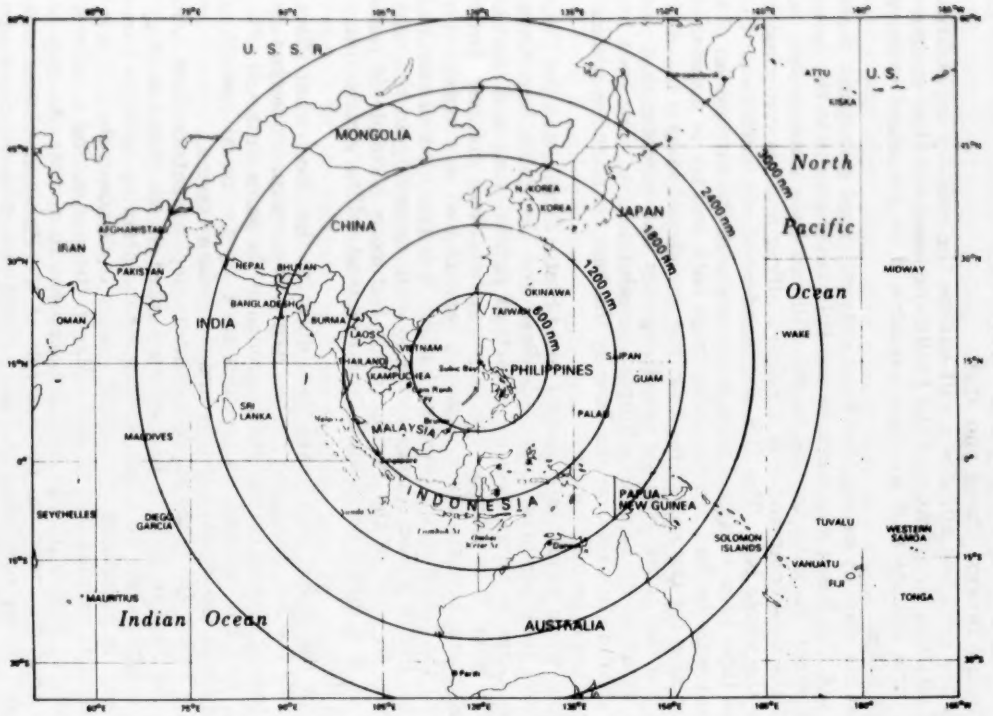
It is a real thing. It is not something that was cosmetic, that was just dreamed up to satisfy Filipino sensibilities. As time goes by, the absolute control over the base by the base commander is something that is bound to grow.

Now, when people talk about United States facilities in the Philippines, they comprise Clark Air Base and the Subic Bay Naval Base. Clark is home base for a tactical fighter wing and tactical airlift wing. It is always nice to remember there are real forces based there, because Clark is mostly remembered as a logistic stop for all the forces in the western Pacific. It is regarded as essential to the Pacific-Indian Ocean airlift system, according to the commander in chief of the Pacific in his testimony a couple of years ago. It is a major north-south and east-west military communications hub.

Now the Subic Bay Naval Base does for the Navy what Clark does for the Air Force and for the Army. It can support combat operations of several carrier battle groups at the same time and often does, and can expand its logistics back up for naval operations throughout the western Pacific and the Indian Oceans.

The Philippine bases support military deployments in East Asia and the Persian Gulf as part of our United States global strategy. Our policymakers give two reasons for maintaining military bases overseas in peacetime. A political reason: to demonstrate U.S. commitment to various friends and allies in the region, and a military reason: to enable prompt military response in a crisis. As may be seen from this map, an obvious role of the Philippine bases is to support power projection and sea control operations in Southeast Asia, which is where the bases are.

[Map 1 follows:]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OKINAWA
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GUAM
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SRI LANKA
MALAYSIA
MALDIVES
INDONESIA
PAPUA NEW GUINEA
SEYCHELLES
DIEGO GARCIA
MAURITIUS
Indian Ocean
AUSTRALIA
SOLOMON ISLANDS
TUVALU
VANUATU
FIJI
TONGA
WESTERN SAMOA
WAKE
MIDWAY
ATTU
U. S.
North Pacific Ocean
600 nm
1200 nm
1800 nm
2400 nm
3000 nm

MAP 1

The most recent combat use of the bases was in power projection operations in Vietnam. The Philippine bases supplied and maintained the United States forces engaged in that conflict. Although a heavily armed and unified Vietnam still threatens its neighbors, the United States Government has deemphasized the liklihood of further United States power projection operations in Southeast Asia since the Vietnam war, but the need for sea control operations has become more important because the Soviets have occupied the former American bases at Cam Ranh Bay and Da Nang. From these bases the Soviet submarines and aircraft can threaten United States lines of communication to Thailand, Malaysia, Singapore, and Indonesia and unrestricted use of the South China Sea lines by China and United States allies in Northeast Asia is no longer assured.

[Map 2 follows:]

Map 2

North
Pacific
Ocean
Indian Ocean
U.S.
JAPAN
PHILIPPINES
INDONESIA
AUSTRALIA
PAPUA NEW GUINEA
MONGOLIA
CHINA
INDIA
U S S R
3000 nm
2400 nm
1800 nm
1200 nm
600 nm

The Soviets maintain a permanent force in Southeast Asia of about 30 ships and 40 aircraft. These forces could be augmented in time of rising tension. Soviet units based in Vietnam are outside the geographic barriers and ice that have historically limited operation from their home bases in Siberia.

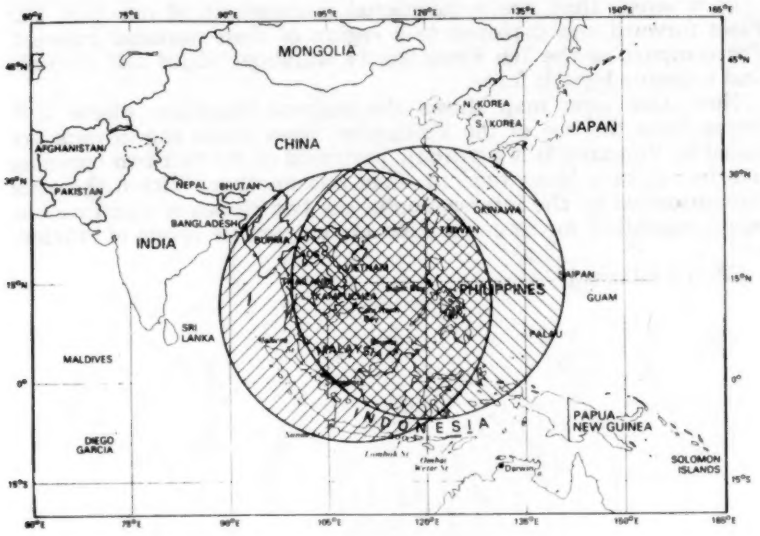
In a sense, they are a functional counterpart of our U.S. 7th Fleet forward and deployed to a region of their national interest. For comparison the 7th Fleet has 34 warships, about 200 aircraft, and a sizable logistic force.

Now, this next map shows the current situation where U.S. forces have the use of the Philippine bases while the Soviets are based in Vietnam. It is a graphic portrayal of the fact two opposing nearby military bases tend to offset one another. Within the area circumscribed by the intersection of the two circles of equal radius, equal capability forces could fight at comparable levels of efficiency.

[Map 3 follows:]

MAP 3

Overlap of Equal Radius Operating Zones Centered on Subic and Cam Ranh Bays



This map shows the current situation where U.S. forces have the use of the Philippine bases while the Soviets are based in Vietnam. It is a graphic portrayal of the fact that two opposing nearby military bases tend to offset one another. Within the area circumscribed by the intersection of the two circles of equal radius, equal capability forces could fight at comparable efficiency. The 1200 n.m. circles shown are schematic; they could be larger or smaller, depending on the aircraft or ships represented. However the center of gravity of the intersection lies in the South China Sea as long as we retain the present bases. Outside the intersection one side pays a significant time-distance penalty.

Now, those circles are schematic, they happen to be 1,200 miles in radius. They could be anything, depending on the kinds of forces you are talking about, so they are not representative of the capabilities of any special unit.

But they are just intended to demonstrate the fact that you get an overlap, and in the area of overlap the forces can operate about on an equal basis, but if you get outside of the overlap, then the ones that are nearest their base have an advantage over the ones further away.

The center of gravity of the intersection in this case lies in the South China Sea, and as long as we retain our hold in the Philippines it will stay that way. Outside the intersection, one side pays a significant penalty in time and distance in maintaining forces on station.

If I could have the next chart please. I already made the point that the Japanese and Koreans are dependent on the Southeast Asia sealanes for their energy supply and on the trans-Pacific sealanes for United States strategic support.

The United States bases in the Philippines along with bases in Japan and Guam, allow defense of these sealanes for our use and the use of our friends and allies and they permit us to threaten the Soviet line of communication to their Vietnamese clients. Therefore, the Soviets are not able to count on the long term use of their Vietnam bases in wartime while the United States bases in the Philippines with longer, more protected sea lines of communications would likely continue to be useful to us.

[Map 4 follows:]

Map 4

CANADA
UNITED STATES
MEXICO
ALASKA
GREAT CIRCLE ROUTE
SOUTHERN ROUTE
HAWAII
North
Pacific Ocean
2500 nm
1000 nm
MIDWAY
KISKA
ATTU
WAKE
SAIPAN
GUAM
PALAU
WESTERN SAMOA
TUVALU
SOLOMON ISLANDS
PAPUA NEW GUINEA
INDONESIA
PHILIPPINES
OKINAWA
TAIWAN
JAPAN
S. KOREA
N. KOREA
U. S. S. R.
MONGOLIA
CHINA
VIETNAM
MALAYSIA

The Philippine bases are a welcome stepping stone on the long southern route from the United States west coast to west Asia. In addition, having an alternate base not far removed from the scene of active combat would be very important in any future war that threatened the security of United States bases in Japan and Korea. Philippine bases provide that alternative. The tactical air forces in the Philippines are earmarked to fight in Japan and Korea if needed.

There is a third function that the Philippine bases do for us, and that is to support operations in the Persian Gulf. And they do that in a couple of ways. The most fundamental way is in helping us keep open the sealanes and the air routes to the Indian Ocean from the Pacific. The reason that is important is because, in the U.S. military organization, the commander in chief of the Pacific is responsible for the Indian Ocean region. In large part that decision was made because he had more secure access to the Indian Ocean than any other theater commander. The Philippine bases had a major bearing on that choice.

Moreover, Clark Air Base is the major hub for airlift bound to the Indian Ocean. Planned United States response to an emergency in the Persian Gulf region calls for the marriage of equipment and supplies embarked in ships pre-positioned at Diego Garcia in the Indian Ocean with troops lifted from the United States to the scene. Alternate routing not including Clark Air Base would require a lot more airlift and would be more dependent on allies cooperation.

Overall, there is not much disagreement with any of this analysis I have presented so far. We have a good thing going in our Philippine bases, but what happens if we lose the use of those bases? Now I've got another handout that I want you to have for the next part of this presentation. Because some of the charts that I would like to display are not big enough to be seen all over the room. So we will hold off for just a moment while you get your copy.

While those are being passed out, let me make one critically important point. We are in the Philippine bases because we have a forward deployment strategy. If we get invited out and decide to leave or leave, we are not going to change the strategy, which is based on other considerations than the availability of the Philippine base. So the requirement, if we leave the Philippines, is to redeploy those forces that are using the bases now to someplace west of Hawaii so they can continue to carry out the present strategy.

There are three not mutually exclusive deployment options. The first one is to move to existing United States bases in Japan, and that includes bases in Okinawa, and in Guam and if necessary all the way back to Hawaii. So that would be option A. That is the easy one, as you will see.

Option B is a redeployment to an expanded base structure east of the Philippines. The existing naval and Air Force bases in Guam would be enlarged and this structure would be expanded to Saipan and Tinian. In addition, a new naval facility including an air station would be developed on Palau.

Option C is a redeployment to new bases on the South China Sea, which would require a new host country or new host countries.

An airlift facility in Australia with or without a naval base would be a part of any of these options.

Now, there is general agreement that given enough money and the cooperation of potential host countries military functions supported by the Philippine bases can be met at some other site than the Philippine bases.

But although there is agreement on that point there is also agreement that the function performed by the Philippine bases will not be as well done in any other place. Analysts believe that any replacement will be less efficient and probably have a range of other drawbacks when compared to the Philippine bases.

When you start looking at base relocations, one of the things you need to look at is the kinds of facilities that you will need and the availability of room and harbor depth and so on.

I made you a list on that top page of your handout of the kind of thing that you can buy, and if there is room you can put these things there. On the next page are some critical base attributes that are needed in the kind of operations that are supported in the Philippines.

[The information follows:]

Base Attributes That Can Be Provided At a Cost

C3I

Housing

Warehousing

Fuel and Ammunition Stowage

Shops

Recreation

Training

Work Force

CRITICAL BASE ATTRIBUTES

OWN FORCES	Critical Base Attributes
FUNCTION: Sea Control	
Task: Suppress enemy aviation, submarines and surface combatants	
Land-based aviation	runways, parking space
Sea-based aviation	harbor depth, turning room
Submarines	harbor depth, turning room
Surface combatants	harbor depth, turning room
FUNCTION: Power Projection	
Task: (1) Air or missile strikes against enemy warmaking or population centers	
Land and sea based aviation and missile forces	Same as sea control
(2) Ground force operations against enemy territory	
Sea lift amphibious shipping commercial shipping	terminals, warehousing
Airlift military aircraft commercial aircraft	Terminals, warehousing
FUNCTION: Base Defense	
Task: (1) Defend against air or missile attack	
Surveillance	ground and air borne sensors
Kill mechanisms	same as sea control
(2) Defend against ground forces	
Guerilla defenses	perimeter defenses, response teams
Regular ground forces	garrison troops, air and naval antiship defenses

When you start looking for a new base someplace and you look for all of those, and I might say before we go on and start talking about the specific options, is that in addition to the financial cost to moving, as the point was made this morning for those of you who were here, there is also a terrible cost in time.

When Admiral L - testified 3 years ago to the House Foreign Affairs Committee ut po-si' , relocating from the Philippines he made the point that you are talking about billions of dollars, yes, but you are also talking about 5 to 7 years to relocate and have any kind of a useful base structure when you get there.

Now, the next table compares the three options that I described to you from the standpoint of operational effectiveness, and you will see that the three contingencies that we look at are supportive operations in Southeast Asia and support of operations in Northeast Asia and support of operations in the Persian Gulf region.

[The chart follows:]

OPERATIONAL EFFECTIVENESS COMPARISON OF REDEPLOYMENT OPTIONS

COUNTERINSURGANCY	SOVIET FORCES IN PHILIPPINES	OPTION A OTHER WESTPAC BASES	OPTION B MARIANAS/MICRONESIA	OPTION C ANOTHER BASE ON SOUTH CHINA SEA
SEASIA	No	Distance problem	Distance problem	Acceptable
	Yes	LOC problem	LOC problem	*
NEASIA	No	Overloaded	Acceptable	**
	Yes	Overloaded	Acceptable	**
PERSIAN GULF	No	Distance problem	Distance problem	Acceptable
	Yes	LOC problem	Distance problem	*

* Taiwan or Chinese mainland site would be acceptable. An ASEAN site could have LOC problems.

** Taiwan or Chinese mainland site would add to U.S. capacity to support operations in NEASIA. An ASEAN site would be too far removed to help much.

The table considers how each of these requirements are met under conditions where the Soviet forces are not in the Philippines and in the condition where they move in behind us and are in the Philippines.

Now, I would examine each of those options in some detail to explain those cryptic notations that you see in the table. If I can have the next chart, please.

[The chart follows:]

COST AND POLITICAL FEASIBILITY COMPARISONS OF REDEPLOYMENT OPTIONS

	OPTION A OTHER WESTPAC BASES	OPTION B MARIANAS/MICRONESIA	OPTION C A NEW BASE ON SOUTH CHINA SEA
Cost			
MilCon	Low	High	Highest
New Forces	Highest	Moderate	Moderate
O&M	Highest	Moderate	Moderate
Political Feasibility			
Domestic	Doubtful	Doubtful	Doubtful
International	Good	Good	Doubtful

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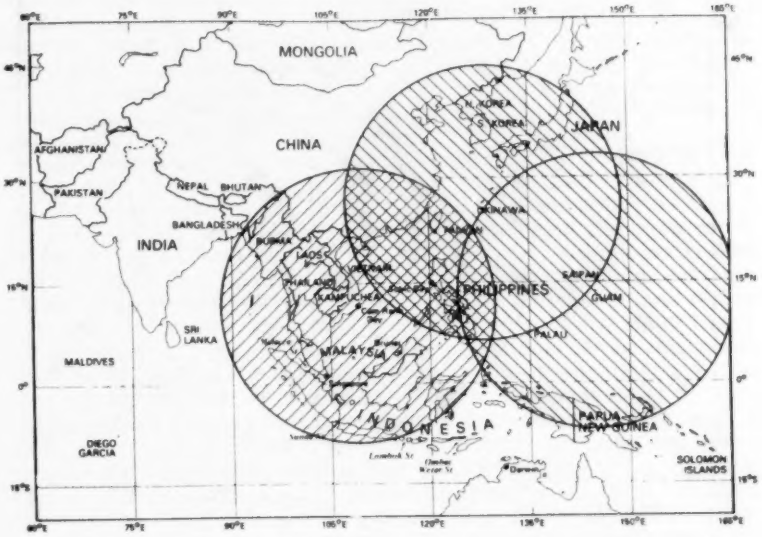
Now, this chart shows what happens if we move out of the Philippines and relocate to existing United States bases. The two that I have circled are Guam and Okinawa, they happen to be the nearest bases to the Philippines. You can see that the region of overlap, where we can more or less work on equal terms with the Soviets in Cam Ranh Bay, has moved northeastward, almost out of the China Sea. You can see that the Soviets are now able to contest not only the sealanes through the South China Sea, but also to some extent those east of the Philippines. The vicinity of the Indonesian Straights would be a more favorable operating area for Soviet forces based at Cam Ranh Bay. And airlift routing to the Indian Ocean from the United States would be a lot safer by Guam and Darwin than it would be if we tried to go by some other route.

If the Soviets move in behind us to the Philippines, this next chart will show that, the sealanes east of the Philippines are very much more in danger, and those are important sealanes.

[The map follows:]

Map 5

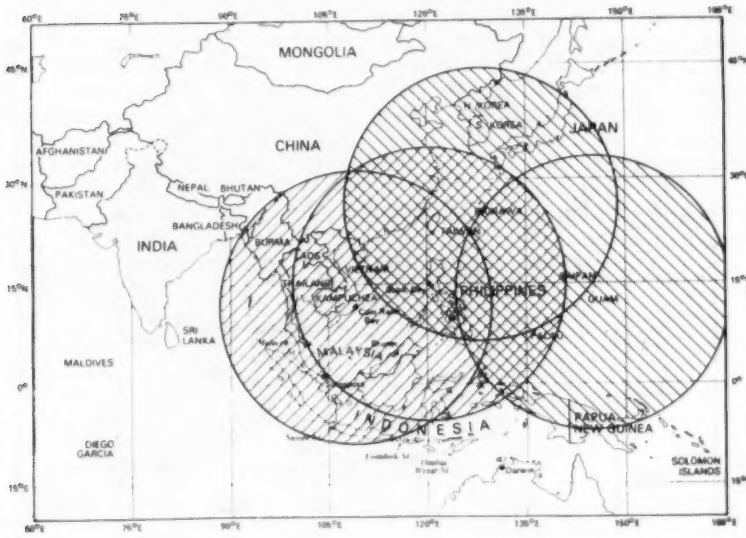
Overlap of Equal Radius Operating Zones Centered at Cam Ranh Bay, Guam and Okinawa



Map 5 shows the overlap of equal radius operating zones if the Soviets are in Cam Ranh Bay while the U.S. redeploys to existing bases on Guam and Okinawa. The region of overlap, where equal capability forces could operate on more or less equal terms, moves northeastward from the present situation, shown in map 3 on page 9, and is smaller. The vicinity of the Indonesian straits would clearly be a favorable operating area for Soviet forces based at Cam Ranh Bay. Soviet forces could also begin to contest the sea lanes east of the Philippines on more equal terms with U.S. forces based at Okinawa and Guam. Airlift routing to the Indian Ocean from the U.S. might require the longer but safer route via Guam and Darwin, Australia. On the other hand, the U.S. bases would be in a position to cut off the Soviet base in Vietnam from supporting forces in Siberia.

Map 6

Overlap of Equal Radius Operating Zones Centered at Cam Ranh and Subic Bays and at Guam and Okinawa



Map 6 shows the overlap of equal radius operating zones if the Soviets are in Cam Ranh and Subic Bays while the nearest U.S. bases are at Guam and Okinawa. The sea lanes east of the Philippines would be more endangered than in the situation shown in Map 5. The vicinity of the Indonesian Straits would still remain an area of Soviet advantage. Mutual support from the two Soviet bases would improve Soviet operating efficiency and make U.S. operations in the South China Sea more risky. Airlift between Guam and Darwin, Australia would be less secure. Under these circumstances, the U.S. might find the Cape Route to the Indian Ocean more advantageous than the one through Southeast Asia. U.S. forces would remain in a position to cut off Soviet bases in Vietnam and the Philippines from support and supply from Siberia.

The very large cargo carriers that bring oil from the Middle East to Northeast Asia, many of them cannot travel through the Malacca Straights because it is too uncomfortable or not deep enough, so they go through these other straights into the Indonesian Archipelago and travel east to the Philippines to get up to their final destination. So with the Soviets in the Philippines, that route becomes a whole lot less secure.

What you can't see on this chart but I will allude to is this: the bases in Subic Bay and Cam Ranh Bay would become mutually supportive, so that combat operations by our forces in the South China Sea region would become a whole lot more risky because we would be not only working at a disadvantage in distance, but also against a very difficult mutually supporting pair of bases.

Airlift between Guam and Darwin, Australia, would be a lot less secure, and under these circumstances, the United States might find the cape route to the Indian Ocean more advantageous than the one through Southeast Asia. The British used the cape route for years. We haven't because it is easier to go through Southeast Asia, but with this situation, that might be turned around. And our Cincpac may find that he is not in as good a position as one of the other theater commanders to run operations in the Indian Ocean.

This is the only option that is readily available if the relocation from the Philippines becomes necessary without warning, or if the warnings that relocation will be required should be ignored. Initially, this option would require very little U.S. policy debate, and it could be executed without a great deal of prior preparation, but it runs the risk of quickly overloading the capabilities of our existing bases in the Western Pacific. After all, they were sized for then jobs with the Philippine bases in the picture. If you take the Philippines out, those bases will probably not be able to handle the load, and they will certainly be overloaded until we can do something to build them up.

Over the longer term, this option would require a large U.S. force increment to avoid leaving the Southeast Asian air and sea routes poorly defended. Obtaining that increment, it would probably not be politically feasible.

U.S. forces would have to be increased for two reasons: Increased steaming and flight time to the operating area would have to be overcome by adding additional forces to maintain the same number of units on station, and in wartime extra forces would be required to defend against the Soviet forces operating more efficiently from their bases.

Now, at least three or four more battle groups would be needed in wartime by the Navy, if the Soviets do not move into the Philippine bases, and if the Soviets do move into the Philippine bases, then the increment, the new forces required, would be about six battle groups, five or six battle groups. We would also need, of course, more land-based ASW aviation, more convoy escorts, more airlift and more tanker aircraft, and all of these force increments should be provided. As I made the point, it is doubtful if we would find it would be politically feasible for those assets to be made available.

The bases in Guam and Okinawa are actually pretty well located to support operations in Northeast Asia, but if they are loaded up

trying to do sea control operations in Southeast Asia, there would be little capacity left to support operations in Northeast Asia.

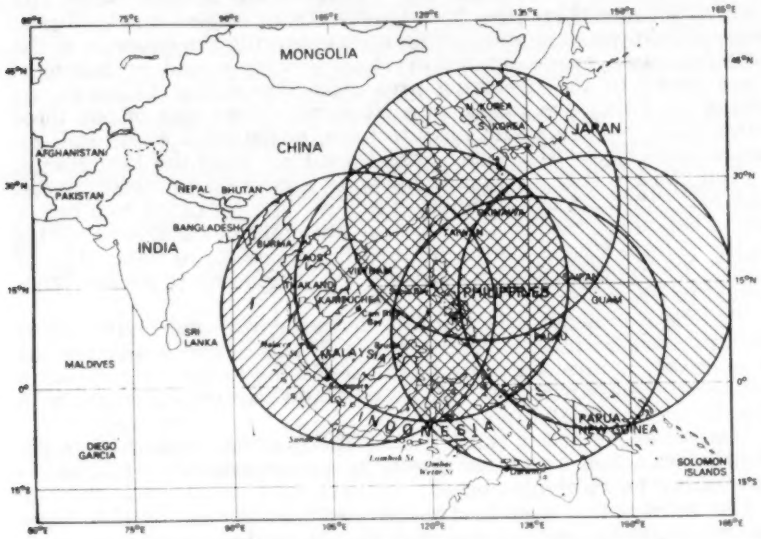
The option would have two effects on planning for Persian Gulf operations. First, as I have already noted, the relative security in wartime of the route to the Indian Ocean via Southeast Asia might seem worse than the route by Suez or the Cape of Good Hope.

Second, this option would leave the United States dependent on an ally or friendly country granting refueling privileges to our airlift. And our current airlift models need a stepping stone somewhere west of the bases at Guam or Okinawa to enable them to reach their destinations with operationally useful payloads.

Now let's look at the second option, option B, if I can have the next chart.

[The map follows:]

Map 7
Overlap of Equal Radius Operating Zones Centered at Cam Ranh and Subic Bays and at Guam, Okinawa and Palau



Adding a U.S. base at Palau, in addition to those at Guam and Okinawa, would enable better defense of the sea lanes east of the Philippines and allow the U.S. to contest the Lombok and Ombai Wetar Straits on more or less equal terms with Soviet forces based at Cam Ranh and Subic Bays. U.S. forces would still be at a disadvantage when operating in the South China Sea because the Soviet bases at Cam Ranh and Subic Bays would be mutually supporting. (Compare with map 6 on p. 20.)

This is the one where we fix the bases around Guam and Tinian and Saipan, and make them big enough to handle the traffic, and we also build an air base and a naval facility down in Palau. What you see here are the same two Soviet circles in Cam Ranh and Subic. But now there are three United States circles, one in Guam, one in Okinawa, and one in Palau. By enlarging the capacity of the existing bases we do fix the overload problems, and by having a base closer to the operating area than Guam and Okinawa, by fixing up Palau, we cut down a little bit on the size of our force increment that we would have to have, although it would still require more forces to conduct operations than from the Philippines.

You can see that we would now be in a position to better contest the route through the Indonesian Straits, and we could do a better job of defending the sea lanes east of the Philippines. But—and this is the picture I have shown you—with the Soviets in Subic Bay, or in the Philippine bases, our problems of defending those sea lanes would be much harder.

For the Northeast Asia scenario, however, we would have solved that problem by increasing capacity, and this option would provide a relatively secure sea route from the Pacific to the Indian Ocean via the Indonesian Straits, but there would still be a problem with the Soviets in the Philippines.

Now let's look at the third option. The first two options leave the South China Sea uncovered pretty much, especially if the Soviets move into the Philippine bases.

The third option would solve that problem by seeking U.S. bases on the South China Sea, and that entails finding a new host country, from a very short list. The list consists of Taiwan, the mainland Chinese, Thailand, Indonesia, Maylasia, Singapore, and of course Australia; but Australia, as you saw from the chart, is pretty far away. Each of these possible host countries has got some drawbacks to it and some of the sites do.

Negotiating base privileges on Taiwan or the Chinese mainland certainly would involve formidable political obstacles, and sites in Asean countries other than the Philippines suffer the common disadvantage that they could be cut off by Soviet forces based in Vietnam. And negotiating base privileges in those countries has got its own political problems.

With secure lines of communications to the base structure in the Pacific, these possible base sites would, however, improve our capability to sustain operations in Southeast Asia, because the distances from the base sites would be much less. We would be right there in the South China Sea able to contest it most strongly, and so it does solve most of those problems. Depending on whether you went toward Taiwan and mainland China, or down to Singapore or someplace in Asean would make a difference on how you turned out in Northeast Asia. And support of the Persian Gulf would be improved by this option, if we could exercise it.

I want to now look at the second table that you have got there, the one that deals with cost and political feasibility. My time is almost up. I am not going to spend much time on this chart. I have given you the relative costs of each option, compared them separately for military construction and other base-related movement costs, for the additional forces that you might have to buy, and for

the cost of operations and maintenance. Let me give you some numbers.

Three years ago Adm. Bob Long said it would cost $3 to $5 billion to do option B. That is just to make the move.

I have already told you that it would take about four to six battle groups and additional forces to do option A. That would be in the order of $80 or $90 billion. Option B would cost somewhat less because fewer forces would be required.

The third option I didn't try to calculate because the assumptions get pretty speculative. You would pay higher costs for the base relocation. You would not spend as much on new forces, but your operations and maintenance costs would go sky high, because of vent payments, the payment for the foreign base workers and the like.

Now, political feasibility: I have listed this as doubtful for each option. The first two options are do-able as far as the international community is concerned, because we have control of the territory. The doubtful part of this is the force increment that you would need, a domestic political constrant.

The third option is doubtful from both domestic and international considerations.

How does all this add up? If you consider both of those tables, I believe the probable outcome of our forces being ousted from the Philippines would be a combination of options A and B, that is, we would redeploy to other existing bases, and then we would do some kind of a buildup that would make it more comfortable. It would be a fallback option.

We would probably do this without the acquisition of the additional forces that would be required in wartime from this new position. The peacetime consequences thus would include the acceptance of more military risk, particularly regarding our ability to secure the lines of communications in Southeast Asia that are so vital to our Northeast Asian allies, and the likely wartime consequences could involve a replay of the Pacific theater in World War II, in which our ability to overcome our Pacific adversary required delays and costly battles while we acquired sufficient forces and a viable military staging area to deal with a rather adverse strategic situation at the beginning of the war.

Mr. CRONIN. Thank you very much.

Our first commentator is retired Maj. Gen. Jim Pfautz. General Pfautz is retired from the U.S. Air Force. His background includes some assignments which are highly relevant to our program this afternoon. His last assignment which he held until recently was Assistant Chief of Staff, Intelligence, Headquarters U.S. Air Force. In that capacity, he had extensive involvement with Philippines issues and a personal acquaintance with the leading figures on the Philippines scene. Previously he served as director for Intelligence at Headquarters, Pacific Command, with responsibility for Southeast Asia. He flew 188 combat missions in Vietnam during the 1960's, a graduate of West Point, American University, and the General War College. General Pfautz.

STATEMENT OF MAJ. GEN. JAMES C. PFAUTZ, U.S. AIR FORCE (RETIRED), FORMER ASSISTANT CHIEF OF STAFF, INTELLIGENCE, HEADQUARTERS, USAF, THE PENTAGON (JULY 1983–MAY 1985)

General PFAUTZ. Thank you very much, Rich, and thank you, Al, for a fine paper.

I would like to comment before proceeding to a few specific points. You can understand that in my recent capacity as an intelligence officer interfacing with the Filipinos, that perhaps there are things that could be added to Larry's very fine paper. It is difficult to include them, though, in order to protect sources; but I was surprised that he, working generally with open sources, had as good a picture as I think we have had in a long time in the public forum.

Let me comment on two of Mr. Bowens' points, and a third issue that, at his invitation, I make on my own. It is as a retired Air Force officer I speak. That third issue is a political comment with respect to this week's very important elections.

To begun with: USAF or Air Force justification for forces has stressed the flexibility of air power, its potential to strike at distant targets and its capacity to operate from hastily prepared bases. We justify our forces to Congress on these points. One could legitimately ask, then, what is so critical about our presence at Clark; couldn't we operate just as easily from Guam or Hawaii, not considering costs?

Mr. Bowen's paper has answered the question well, but let me emphasize for those of you who aren't involved with Air Force operational concepts, some of the realities in the equation of Air Force crisis response.

To leave Clark Air Base for operations from Guam against sea lanes in Southeast-Northeast Asia would be similar in distance to a move from Vandenberg Air Force Base on the California coast to Peterson Air Force Base in Colorado Springs. For a wing commander to protect, say, the sea lines of the California coast from his home base in Colorado should put the issue in operational perspective.

Just another example. To move from Guam to Hawaii is similar to a move from, again, Vandenberg Air Force Base to Andrews Air Force Base, here in Maryland. The vast distances in the Pacific are sometimes overlooked by the policymaker. However, the wing commander must address them in his planning, and they are generally of great concern even for a relatively brief crisis. The Air Force does indeed have that quick strike potential, albeit it is critically dependent on locations such as Clark.

My second discussion area relates to Soviet interest in securing facility access at Subic or in the Manila Bay area. Would they in fact want such access? Yes, indeed. They have repeatedly requested it of the Philippine Government, which has repeatedly denied said request, sometimes after consultation with our Government. Nevertheless, the temptation of additional revenues is ever present. Assuming a neutralist stance sometime in the Philippines future, similar perhaps to that of Indonesia, we could expect Soviet merchant ships to be serviced side by side with American warships at

the quay, possibly their warships as well. The camel would be in the tent.

Many United States policymakers consider a future Soviet-Philippine friendship treaty very unlikely. American influence in the Philippines will preclude it. Perhaps. Yet, I recall past voices saying that the Soviets would not put offensive air at Cam Ranh Bay, and it is there today. The same voices said the Soviet Far East fleet was no match for the United States Pacific Fleet. It is presently the largest of the four Soviet fleets, and has a carrier capability. I believe Admiral Foley will address that development with more expertise than I can.

A Soviet military and/or economic presence in the Philippines would constitute a severe challenge to United States-Pacific interests. Yet it will be there, I believe, sooner or later. The new Soviet premier has shown himself a very able diplomat. Can he lure the Filipinos from the West? There is little doubt in my mind that he will try.

My third and final observation would focus on the election this coming Friday. Our relationship with the Philippines has traditionally been characterized by warmth, a mutuality of interests, and, within the latter, the camaraderie of wartime triumph. Sadly, American commentary and involvement relative to the election threaten to compromise a heretofore stressed but satisfactory relationship. Our official Government posture is "hands off," seemingly, while other anti-Marcos United States elements have accused the Philippine President of corruption, election rigging, and even womanizing—sins not alien, unfortunately, to our own political experience in this country. The venom is less numbing for Mrs. Aquino. Yet she is faulted simply for having no leadership credentials.

The result is that United States loses with either candidate. Neither can be comfortable with our present election commentaries.

The Philippine constituency must surely view their former colonial tutors as chipping away at their right to independent choice. In our attacks on Marcos we seem to have learned little from the days-old history of calling Qadhafi this and that, only to have the Libyan-Arab world quickly rally about his side.

Our election time castigation of Marcos by certain elements may do more to poison bilateral relations than it will to influence the election outcome.

The importance of American-Filipino good will should mean more to us than uncoordinated efforts to accelerate the departure of a physically failing, admittedly beleaguered president whose own people will surely find the means to extract him from the palace, if that is, in fact, the national will.

The Filipinos should be permitted their own destiny.

In summary, I believe Subic and Clark bases to be critical to the support of our Pacific security interests. Second, we must be far more sensitive to the Soviet plan for the Philippines. Do not doubt that there is one.

Finally, we should construct an enlightened and unambiguous policy vis-a-vis the Philippines to insure a mutually supportive relationship with this valued Asian partner.

That policy should respect the Filipino right to chart their own destiny. Thank you.

Mr. CRONIN. Thank you, General Pfautz.

Our third speaker and second commentator is retired Adm. Sylvester R. Foley, who has been Assistant Secretary of Energy for Defense Programs since November 1985.

In his previous incarnation, which is of most interest to us today, he was commander of the U.S. Pacific Fleet.

His other assignments over a 35-year naval career included command of U.S. Navy 7th Fleet and service on the staff of the Chief of Naval Operations as Deputy Director for Plans and Policies, and Deputy Chief of Naval Operations.

Admiral.

STATEMENT OF ADM. SYLVESTER R. FOLEY, U.S. NAVY (RETIRED)

Admiral FOLEY. Thank you very much.

A long time ago someone asked me when I came in as Pacific Fleet Commander what my biggest problem was. In a word, it is "geography."

And that I think sums up an approach to the Pacific or the Subic Bay or the strategic considerations of the Philippines, geography. You can go from the east coast of the United States on over to the Mediterranean in 5 to 7 days.

You can move your forces over there, but when you start talking about going out to the Pacific or further on into the Indian Ocean, that is a different proposition. You are talking of 3 weeks or more.

That is a long, long way. It is a long distance between ports. It is a long distance for your resupply, be it by air or by sea, so geography drives much of what a commander does in the Pacific region be that Army, Air Force, or Navy. Geography drives you in the Pacific.

I think our previous speakers have looked extensively at the Philippines. They have covered the economics, the political issue, the insurgency issues. We have now walked on into the value of the bases.

But again don't take any one of these issues and view it as an entity, because all of them reflect considerations vital to the Philippines. Just as the Philippines are one entity when you look at the entire Pacific region. You should also view it, the Philippines, as part of ASEAN, so when you view the Philippine Islands, view them in their total context out there in the Pacific.

They are strategic; they cover the sea lines of communication, those coming out of the Indian Ocean for the oil and energy resupply up to Northeast Asia, or those that come up through the other Indonesian straits or the archipelago of Indonesia, come up through Lombok, Sunda, Malaca Straits, coming by Singapore.

The Philippine bases truly have a strategic location, and Subic base and Clark offset the Vietnamese bases of the Soviets. The Soviets use them as surge bases into the Indian Ocean, just as we use Subic Bay in the Philippines to surge either into Northeast Asia or to move on into the Indian Ocean.

Now, we have an excellent supply and support capability for all United States forces based in the Philippines. At Subic Bay, and I will concentrate on that in particular, we have major drydock capability, we have major repair capability, and the going price is a quarter to a fifth of what you would pay in Japan or back in the United States or in Guam. And in our splendid colonial wisdom on Guam we built up a white-collar group and we didn't leave a lot of workers around down there, so if one wants workers in the shipyard we bring Filipinos into Guam to work in the shipyard, because they are skilled laborers.

We have an apprentice program in the Subic Bay Shipyard that has been going on for many, many years. They are college graduates.

It is a 4-year apprentice program, and is oversubscribed. Some of them go off into the Middle East, but the life style is not attractive to them in the Middle East so they come on back to the Philippines.

People say, "Why haven't you been bothered by the New Peoples Army down in Bataan Peninsula, down around Subic?" The answer is because we are the dominant employer. We support the people. The New Peoples Army knows that.

We are doing well by each other and the Philippine people and U.S. Navy are a good team down in that particular area, so that fundamentally they leave us alone because people have jobs. The New Peoples Army coming in there might tend to disrupt that, and it is not in the interest of the people, so it is not a popular thing for the NPA to conduct operations down there.

ASEAN concerns for the Philippines and Japan concerns for the Philippines are the same as ours. The islands are vital in this geographic location, and so we contribute to the Philippine defense.

The Philippine Armed Forces at one time were absolutely crack armed forces, they were good, they were well equipped, they were very well trained. They had high morale and esprit and they were superb. I was the 7th Fleet commander from 1978 to 1980 when the Philippine Armed Forces were very competent.

At the time I came back as Pacific Fleet commander in 1982 to 1985, there was a significant drop down, a tailing off in the capabilities and in the equipment and the training of these people. Currently, the army goes out in ragged cutoffs, with a coke bottle tied around their waist. These are regular armed forces.

That is ragtag. The morale is down. The esprit is down, the training is down, the leadership is not what it was in the past. Mobility is lacking. Earlier speakers talked about getting mobility, communications, leadership and training. These are essential.

But these capabilities are fundamental and basic to any armed forces, so clearly the level of competence has gone down.

U.S. forces provide the basic country protection for the Philippines. That is useful for both of us, so why would the Filipino people in general want to throw us out or want us to go away?

I don't think they do.

I don't believe there is a fundamental antipathy between the people of the Philippines and the people of the United States. I just don't believe that. They are opposed to us because we support President Marcos, and that is a different issue.

That is a different issue entirely.

Subic Bay is a deep water sheltered port. The shipyard employs about 7,000 or more people, has tremendous ammunition storage and has a colocated airfield.

Would we home port a battle group out there?

Certainly if we thought the country had political stability. That has been the shortcoming across the board. We would have gone in there a long time ago except for that.

It is a superb port facility for us.

Now, let me get down to the very vital question with reference to the bases: Are they absolutely essential? Could you do without them?

Yes, we could do without them.

We would have to change our modus operandi just as Al Bowen has told us. You would have to conduct your operations differently.

You would have to go to other bases. You would have to go to other countries. You would have to have more ships.

You would have to have more logistic support. It would cost you a lot of money and it would cost you a lot of time: 5 to 7 years and anywhere from $5 billion to $6 billion to do it. It is worth a considerable amount for us to be in the Philippines, and to pay what we pay to have access to those bases and to operate from there.

But the question posed this morning by the professor is a fundamental question, and that question was what would be the United States policy toward the Philippines if Marcos wins the election?

He will have less power undoubtedly. The opposition will be stronger, without question. But what will be the U.S. policy, and don't be dissuaded by peripheral issues.

Economics is not the driving factor. Security and stability are the dominant factors, and the political changes which affect those.

But security drives us, and it is in the vital interest of the United States and the Philippines to maintain the bases there. From a monetary viewpoint, a time viewpoint, the bases are important, but basically it is security and that should drive all of our considerations and our thinking.

Mr. CRONIN. Thank you.

We have about 15 minutes or a little more than that for discussion.

QUESTION. Can I mention just a fact, a bit of a knitpicking, but Captain Bowen's option "C" has a concept known as ASEAN zone of peace freedom and neutrality, written into the preamble of the original agreement was the statement there should be no foreign bases. They agreed the two Philippine bases would be able to stay as long as the Philippine people required them. That could be reversed.

However, I think if that—if the United States had a joint base on the People's Republic of China soil it would have important implications. The People's Republic of China is a major threat.

Captain BOWEN. I am so glad you brought that up. I was so rushed I didn't get a chance to address what you are talking about. I sloughed over the political difficulties of executing option C, and they are lethal. That does not take a whole lot of familiarity with the Pacific and East Asia to understand that trying to have a base in Taiwan would invoke all kinds of problems with the mainland

Chinese or that trying to have a base in mainland China would not cause untold political problems all over the region.

Most people don't talk about these as options, though to be honest, one does have to acknowledge that geographically, that would be a pretty good place to have a base.

I would like to address the portion about ASEAN and their feelings about having foreign bases on their soil. I also alluded to the fact that trying to have a host country down through there would be difficult. And it would for the reason you just pointed out.

I have had one analyst from that region say to me, well, don't give up. Everybody in Southeast Asia is concerned that you stay out there, nobody wants you in their home territory, but they would all like you to stay in the region.

Being in Southeast Asia, we provide the Southeast Asians an option not to have to choose between the Soviets and the Chinese, if nothing else. We are a fixture; we have been there long enough now so we are part of the scene.

We provide stability for everybody. And so there is this feeling then that it would be good for the United States to somehow stay out there, and possibility that this individual offered was, if you work at it long enough and quietly enough and broadly enough you might be able to persuade the whole region to respond to your loss of Philippine bases regionally and that there perhaps is an opportunity to make everybody share the burden. And it wouldn't be your base, it would be our base. But I would be welcome.

And some innovative thinking about it is perhaps in order. I didn't write that option off as completely as I did the one in Taiwan, but I really didn't work that option out as completely as the other.

QUESTION. These are two questions related to the options we are making about the Soviet position in Vietnam. One is, has this subject ever come up in any of these recent talks between United States and Vietnamese officials?

Mr. FOLEY. That is not fundamentally the reason for the discussion. The discussions have to do with prisoners of war missing in action.

QUESTION. That was never on the agenda?

Mr. FOLEY. That is not for discussion.

QUESTION. Marcos would not allow use of Clark or Subic to mount an attack on Indochina, at least that is what a press release said he said and two other reports. Is that correct, did he really say that? Does he really mean that?

Mr. FOLEY. It doesn't really matter what you read in the press. If you want to believe it, you can, if you want to set it aside, you can, but it is rhetoric, much of which is for election purposes or electioneering, and I would take it all with a grain of salt. Positions and responses in newspapers can be changed very quickly.

QUESTION. You think that was part of the election jockeying for position?

Mr. FOLEY. One of the things they say at war colleges, where they educate people like us, is that intentions can change overnight, it is capabilities you want to consider, because capabilities are what you turn on your opposition, they can't be changed in the

near term. So when you talk about what you might read in the newspaper, those are intentions, very changeable.

QUESTION. You don't set too much by Marcos' pledge then?

Mr. FOLEY. I didn't say that. You said this was a newspaper clip.

QUESTION. There is no doubt he said that. The question is really whether he meant it or whether we really believe him.

When did he say this?

Early November.

To an academic friend of ours talking to Marcos.

In the past he has said similar things. He has hedged on that and also said United States bases would be allowed to fill United States obligations to Thailand, so I think in the past at least he has fudged the no-abuse against Vietnam pronouncements. Whether he would do that again I don't know.

Captain BOWEN. We can be legalistic about this one if we have to. In the latest modifications of the bases agreement, there is a provision in there that we will have prior consultations with the Filipino Government before undertaking various kinds of operations, but the ones we don't have to consult ahead of time about is those of fulfilling our mutual obligations under the Manila Pact and a defense pact with the Philippines. We can do those and don't have to ask.

So I don't think that, one, if you wanted to be strictly legalistic about it, would be a problem.

I doubt seriously if it would be.

General PFAUTZ. Let me give a personal insight into that.

In 1981, I was asked to brief him, a classified briefing, and I was at the palace, there were there ten of us in the room with our Ambassador, there the President and a couple of other officers and we briefed for about 45 minutes, I did—on certain subjects. Then he turned at the end of the briefing and for at least 50 minutes alone asked questions about Cam Ranh Bay. So this should be a little bit of the answer to your question.

He was extremely concerned about it. He asked after that, what about the Soviet aircraft, reconnaissance aircraft flying about Luzon. He was very concerned they had gotten into the European air defense identification zone.

I told him respectfully those were international air spaces and they couldn't do anything about it. Sovereign air space is another matter, when they get in that. And he got very kind of, for want of a better word at the time, macho, and implied they had better not.

But the whole point here concerns Southeast Asia, and the presence of the Soviets. So you can take it from there.

One point I would add on to Admiral Foley's comment, the ASEAN states obviously were not unified about United States activity in Vietnam, we all know that. Indonesia's in particular.

QUESTION. If we were gathered here 10 years from now and examined your projection, should we be clinging to what we leave or moving to some combination of the options laid out by Mr. Bowen? If the latter, what combination of options?

Mr. FOLEY. That is a good question. Let me say first of all I am a conservative by nature, I have to say hang on to what you have unless you have a much better option ahead of you.

So I would hang on to what we have, but I would hedge my bets too, just as the United States has by recently signing an agreement with Palau, which allows us, should there be a requirement, to go down and operate armed forces from there. We have retained large areas both in Tinian and Saipan that we could fall back on, just as we have maintained the shipyard capability and so forth in Guam; not because it is cost-effective, it really isn't, you have to go out of your way to get there and the quality isn't what it should be, so we are hedging our bets to give us the capability to move in some of the directions Al has talked about.

Korea might love to have us come in there and do a lot of things, but geographically it is not in the right place. Some of the fine shipyards, or Sembawang base on the back side of Singapore, we looked at very carefully one time as a possible option should we want to go into discussions, but it is expensive down there.

Singapore is a little overbuilt now in many areas and maybe they would be receptive to some proposals. We have a lot of balls in the air and we will keep them up there until the time comes and we need to bring a couple of them down.

We need to have several options for ourselves and I think we are hedging our bets adequately in that area.

Neither you nor I know what might take place in the long term or short term. I worry about the islands out there and the oil exploration areas and the interface of those conflicting claims down there and the likelihood of our involvement in third country activities not directly related to us. I worry about being pulled on in through one of our many treaties or commitments in that area. That is an ongoing concern.

QUESTION. Two brief questions.

One is informative. When Captain Bowen spoke of 46 batallion groups and gave an estimated figure of $80 billion I assume that large deck carriers, cruisers and so forth, so the cost would be $15 billion each. Is that essentially correct?

Captain BOWEN. Something like that.

QUESTION. Now if the option were to move to the Marianas, using Guam and so forth, could they service large deck carriers in those areas?

Captain BOWEN. No, and one of the reasons you would get five or six for the Philippines is because your carriers have to go back to Yokosuka.

QUESTION. So you need sea trains and support——

Captain BOWEN. The whole thing.

QUESTION. I know you three gentlemen are basically more strategically inclined, but it seems to me as Admiral Foley says the bases can support a lot of people. I think it is the second biggest employer next to the Philippine Government. Have you given any thought as to why the bases have received the fire they have received, why such antipathy toward them? There doesn't seem to be anti-American feeling in terms of national corporations and it is geared toward the bases.

I wonder if we could do anything to offset it.

Mr. FOLEY. Let me take that for a second and say we don't see opposition down in the area of the bases. There may be some local fuss, but basically there is strong support all down through there.

It is political opposition, up in Manila, in the metropolitan area. It is not a fundamental issue. We are a big corporation down there near Subic and we work that problem hard with the local people, because we want good relations with them.

General PFAUTZ. The same is true at Clark.

Captain BOWEN. I can give you a historical footnote on it. It might be illuminating.

In 1933, when the first Philippine Independence Act was passed by the Congress, it included a provision that said you can have your independence but we keep our bases. The Filipinos turned that one down, sent word back, keep your independence, we don't want it. And when they took the bases part out, then they accepted the offer for independence.

So it's a nationalistic kind of an isssue, and it is always there and can be triggered.

QUESTION. May I have the privilege of following up on Captain Bowen's comment there on history. He noted the excision of the bases resulted in internal politics in the Philippines. Then, from 1943 to 1946, the Philippines were united in wanting the bases back in.

Now, if I may be allowed to turn to my comment to Admiral Foley, I think the evolution of Pacific politics is moving very fast and we are going to need something very different and additional over the next 10 years.

Mr. FOLEY. I must also say that in the view of the Pacific commander out there, and this includes our current Chairman of the Joint Chiefs, we have never seen the general situation, with the exception of the Philippines, as stable as it is out there in the entire Pacific region. I include Thailand and the rest. There is considerable stability out there in Southeast Asia and the Pacific.

So things are not as bad as they could be and not as bad as they were a few years back when Thailand was in furor and Korea was on the verge of things. On balance we are not doing badly in there but we need to focus on the Philippines urgent need for stability to give them a chance to come alive economically.

It is the military bases and political stability that will provide the Philippines the opportunity for economic growth.

Mr. CRONIN. Thank you, Admiral Foley.

QUESTION. A question to any of our panelists.

Bill Wise talked about this earlier—the strategic stalemate and the surge which the Pentagon believes may come about within 3 to 5 years.

I am asking your personal views on this. If the surge reaches this strategic stalemate, however that is defined and I am really not sure, frankly, what it is, but if it reaches that level in the Pentagon's definition, say within the next 4 years, do you think that would trigger some decisions within the Pentagon concerning the bases, especially concerning either steps for progressive withdrawal, or steps to ask Congress for funds to begin active construction of new facilities in Micronesia?

In essence, would this stalemate act as a trigger for new decisions in the Pentagon on the bases issue? Of course, Congress then would have to deal with the request.

Mr. FOLEY. I don't think you can view it in isolation. I would have to say what is the impact on the other countries? Take ASEAN for example, or Japan greatly increasing its economic support to whatever existing government would be in the Philippines at that time. I think there are many other factors that can be imposed to try to generate a soiution beyond simple unilateral decisions of the United States, and particularly in the military sense. Military action would be the last step we would take.

All the other avenues should be tried before we get into that one.

Mr. CRONIN. Thank you, Mr. Foley.

I think Al Bowen's paper and the remarks of Mr. Pfautz and Admiral Foley have contributed to our understanding of the military implications of the loss of Philippine bases with or without or replacement by the Soviets and the alternatives open to us to meet the ongoing military requirements.

I think every one will join me in thanking not only our present panelists but also all of the preceding speakers for giving us a very worthwhile and thought provoking day.

Thank you very much.

[Whereupon, at 4 p.m., a recess was taken.]

ASSESSING AMERICA'S OPTIONS IN THE PHILIPPINES

MONDAY, FEBRUARY 3, 1986

HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN AFFAIRS, SUBCOMMITTEE ON ASIAN AND PACIFIC AFFAIRS, THE WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS AND THE CONGRESSIONAL RESEARCH SERVICE,
Washington, DC.

The workshop met at 7:20 p.m. in the Woodrow Wilson Center for International Scholars, the Smithsonian Institution, James H. Billington, director, the Wilson Center, host.

Moderator: Ronald A. Morse, secretary, East Asia Program, the Wilson Center.

Speakers: Congressman Stephen J. Solarz, chairman, House Subcommittee on Asian and Pacific Affairs; Hon. Michael Armacost, Under Secretary of State for Political Affairs; and Prof. David Rosenberg, Middlebury College.

This program is jointly sponsored by the East Asia Program of the Woodrow Wilson International Center for Scholars, the U.S. House of Representatives Subcommittee on Asian and Pacific Affairs, and the Congressional Research Service of the Library of Congress. This evening discussion is made possible by a generous grant from the Xerox Foundation. Additional funding was made available by the Ford Foundation, and a Federal (1986) appropriation for conference planning.

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Mr. Jim Billington, director, the Wilson Center. May I start the proceedings by welcoming you to our Nation's official memorial to the 28th President.

It is the second time the Asian Program of the Wilson Center has cooperated with the U.S. House of Representatives and the Congressional Research Service in a timely meeting on a matter of national importance in the Asian area.

The earlier meeting in 1982 was on Japanese decision making and I like to think that this one in a memorial to a President who was very much concerned with the process of democracy and self-determination and a great internationalist as well as a great educator is a particularly appropriate subject.

The program, as many of you anticipated, is on the political and economic situation. Issues of communist insurgency and American bases in the Philippines have set the stage for the discussion of this hearing that our distinguished panel will open up and explore with all of you as participants, as is our want here at the Center.

So it is a great pleasure to turn the proceedings over to Ron Morse, Secretary of the Asia Program of the Woodrow Wilson International Center for Scholars and to thank you all for coming and to welcome you to these precincts.

Mr. MORSE. Thank you. One thing I should say, we have cooperated before with the Congressional Research Service and Congressman Solarz and it was very successful and tonight I think we have a very good audience and we are delighted to have Congressman Solarz back here as well as Mike Armacost and David Rosenberg.

This meeting follows on meetings that took place today and a number of the speakers from that group are here. The speakers at the meetings that were held up on Capitol Hill in the Madison Building talked about the political situation, the economic situation, the base issue question, and insurgency in the Philippines.

Let me run through some of the key questions that were addressed today.

The first one was, has this election been successfully put forward and used by the President of the Philippines in a way of bringing the United States into the political dialog, and is this sort of on his agenda to capture and to get a new mandate in the electoral process. That was one of the issues discussed today.

The second was, is a popular mandate in fact in the political system in the Philippines translatable into electoral victory? This is a real question, even if somebody is the most popular given the political culture, and nature of institutional structure, nature of what is happening there, does that automatically lead to victory? I think there was some debate about that, also.

Another thing that if it is a very close race and even some people were saying 5 to 10 percent difference, some people were saying it wasn't that much—but if it is a very close race, is there a chance that the opposition will win and there was a feeling that, no, they wouldn't win even if the vote was one way or the other.

One other question that was raised here is the question after the elections. What will be the short term and the long term nature of the kinds of issues that will be faced?

Today we have two very prominent people from the U.S. Government side that will speak to these issues, the key question and the title of this evening's meeting is, the United States and Philippines, and the question will be there, what role, what policy, is there a policy, is there a role, do we in fact have an agenda that engages us as it always has in the Philippines internal situations in a way that both sides are—will in some way benefit or not benefit from this situation?

The introductions are very simple. All of you know Steve Solarz, 13th District of Brooklyn, Brandeis University, Columbia University, and was a New York State assemblyman and has been very active in holding lots of hearings and I am sure he will explain a great deal about his approach to the Philippines.

David Rosenberg became interested in the Philippines as a Cornell University graduate student. He was a visiting professor at the University of the Philippines. He had worked on a number of issues about politics in the Philippines. He has published in lots of places and I am sure he will tell you what is going on. You will see he is from Middlebury College, a very lovely part of Vermont.

Michael Armacost was Ambassador to the Philippines. He is currently Under Secretary of State for Political Affairs. He had a number of other assignments. When I was in the State Department I watched him move around through Government in very senior and very responsible ways that was very impressive. He is a Japan specialist. I am a Japan specialist, not the Philippines, and there are not many people in the U.S. Government who have that distinguished expertise. His academic career was he was at Pomona Col-

lege as a professor, at ICU in Tokyo, International Christian University, and had a number of other responsibilities.

We are going to start with David Rosenberg. He will lay out, from the academic viewpoint, his sense of what the issues are and then we will move to Michael Armacost and Steve Solarz, and then open it to discussion for the evening.

Mr. ROSENBERG. Thank you.

First, I would like to say something about the significance of these elections. Then I would like to explain why I think the elections were called for this February 7 date. Then I would like to explain what some of the major stakes are in these elections, both for Filipinos and Americans. Then I would like to mention one or two issues that are of pressing concern in this election. Last, I will raise a lot of questions about possible outcomes, implications, U.S. policy choices, for our other panelists to address.

In preparing my remarks I was informed that there might be not only Philippine specialists here but perhaps others who are not expert or well-briefed on the current situation in the Philippines so I would like to start off with a few very basic facts about the circumstances of this election and the general significance of it.

I think the most important thing to notice at the outset is that these elections next Friday, February 7, will give Ferdinand Marcos probably his most serious challenge in office in the past 20 years of his rule as President of the Philippines.

The challenger is Cory Aquino, who holds Marcos responsible for the murder of her husband. It is a dramatic event for that reason alone.

Her husband was Benigno Aquino, Jr. He was assassinated on August 23, 1983. He was a former senator, an opposition leader and a long-time political rival of Mr. Marcos. In fact, he was the man who was the leading candidate to become President after Marcos. Marcos was limited to two constitutional terms in office, starting with 1965 term when he was first elected to the Presidency, he was reelected in 1969 for another 4-year term.

His term would have expired in 1973 but instead he declared martial law in September 1972. One of the first things he did was to put Mr. Aquino in prison, where Mr. Aquino spent the next 7½ years. He was released primarily for humanitarian reasons to get medical treatment in the United States.

Mr. Aquino came here for open heart surgery. He recuperated and remained in the United States for a 3-year period of exile. Then he went back to the Philippines to try to organize the opposition to contest the Marcos administration's long rule in that country. He arrived on August 23, 1983 and was removed from the plane by military guards and then was assassinated, surrounded by thousands of Philippine Armed Forces, in the middle of Manila International Airport.

The last time there was a Presidential election in the Philippines was in June 1981. That was the first Presidential election under the new constitution of the Philippines. Mr. Marcos won a 6-year term with about 88 percent of the vote against very token opposition in an election that was marked by voting abuses and a very widespread boycott.

The last time there were elections of any sort occurred in May 1984, with the elections to the National Assembly. Despite the previous rather fraudulent elections, despite a very well-organized boycott, many Filipinos—millions of Filipinos—turned out to vote in that election.

It is interesting to note what happened in those 1984 elections in the Philippines to get some idea of what might be happening in this coming election.

The early returns showed the opposition candidates running well against the government candidates throughout the country. Many opposition candidates were winning in many of the major cities of the country. Indeed, I think they had a clean sweep in the returns that were indicated the first day. The exit polls indicated a sizable—perhaps 60 percent majority—going to the opposition in those early returns of that last election in May 1984.

However, numerous reports of fraud and violence started filtering in and then inexplicably there was a delay in the vote counting. It took a full 10 days from the election date until the final results were counted and certified as official. When all the dust had settled, it turned out to be that those original early projections were all wrong by just about the opposite margin. The President's party, the KBL Party won a very large majority, about two-thirds of the seats in the National Assembly.

On the other hand the combined opposition did manage to increase its representation in the National Assembly quite a lot, up to 60 seats out of a total of 200.

I should also note that the President can appoint his own members to the National Assembly, 17 out of 200. He can also overrule that assembly, he can rule by decree, he can also dissolve the National Assembly at his discretion.

That was the last election that was held in the Philippines.

Why are these elections being held now, this February 7? That is another important question. They were originally set for May 1987 but they were rescheduled by Mr. Marcos after months of growing pressure, essentially pressure for reform, for all kinds of reforms that came from moderate opposition groups within the Philippines, from church groups within the Philippines, from the business community in the Philippines, from international business groups, from the World Bank and from many, many American observers as well.

All of them were urging President Marcos, in the wake of Aquino's assassination, to make political reforms, to make military reforms, to make economic reforms, to restore democratic government, to try to restore some economic growth, and in particular to head off a Communist revolution.

There were many American observers who made important public statements. Some, such as President Reagan's personal emissary, Senator Paul Laxalt, delivered their messages in person. They all emphasized U.S. concern for the deepening crisis.

The precipitating factor that they think swayed Mr. Marcos to call these elections early in my view was a staff report issued by the Senate Select Committee on Intelligence on November 1, 1985.

That report said that the communist insurgency and the economic situation were deteriorating rapidly, that "democracy was

doomed unless drastic reforms were carried out." And then, in an accompanying statement, the chairman of the committee, Senator Dave Durenberger, said that the Marcos government was incapable and unwilling to carry out those necessary reforms and, therefore, Senator Durenberger urged Mr. Marcos to resign and make way for free and fair elections to chose the next Philippine President.

About 2 days later Mr. Marcos said, in the course of a conversation on a Sunday morning news program with Sam Donaldson and George Will, that he would call a "snap election" to demonstrate his popular support, to demonstrate that he could handle the counterinsurgency, campaign against the Communists.

There was some initial indecision about exactly when to have this election, whether or not vice presidents would be running, how much preparation would be necessary, but after some mulling of it over he decided to hold it on February 7 and he chose as his running mate his former Foreign Minister, Arturo Tolentino.

Up until then the opposition had been largely fragmented and largely ineffective in challenging Marcos through all of the years of his government. Mr. Marcos probably expected them to remain divided and ineffectual.

He clearly, miscalculated very seriously and that shortly thereafter, on December 11, Cory Aquino and former senator Salvador Laurel decided to join forces and unite in a common platform, a common ticket to run under the UNIDO banner in opposition to President Marcos. That is why the elections were called for that day, February 7.

What is at stake in the Philippines elections? In addition to the personal challenge to 20 years of autocratic rule by Ferdinand Marcos, these elections should also be seen as a major contest among three power blocs in the Philippines: the reactionary group, the reformist group and revolutionary group.

Let me briefly sketch out who these contenders are.

First, the reactionary group. I call them reactionary because they want to maintain the current direction of power and wealth as much as possible with as little change in the status quo. That includes Marcos, and his wife Imelda Remeldos Marcos, who is a formidable political power in her own right, many other family members as well as various regional allies around the country, and his so-called crony capitalists, close friends in the economy as well as crony militarists, good friends, close friends in the military as well.

They are all bound together in a governing coalition based on traditional kinship, based on ethnic loyalties, on regional alliances, on patronage, on graft, corruption and at times on sheer coercion.

The second group, the reformers, consists of those who advocate change in this government and its policies, but primarily change through elections, through legislative means, through constitutional changes.

That group includes Cory Aquino, Salvador Laurel plus a few other politicians from the premartial law period, plus many others, new entrants into the political arena from the business community, civic leaders, people from the religious community, who have grown up in the period of authoritarian rule and have joined this

coalition as a possible way to end authoritarian rule through more or less moderate reform approaches.

They coalesced in the midst of a vast array of political organizing that broke out after the Aquino assassination. They now campaign under the banner of Unido which stands for the United Nationalist Democratic Party Organization. It was formed in 1980 as a loose coalition of more than a dozen opposition groups.

The third power bloc is the revolutionary group and it consists of a resurgent communist party of the Philippines, its military branch, the New People's Army, NPA as it is usually called. They also have a political coalition called the National Democratic Front, or NDF. They advocate radical change in the structure of wealth and power in the country and armed struggle to get rid of the Marcos government.

The radical movement has spread throughout the entire country. It seems to depend almost entirely on local support. There was a little bit of discussion and debate about that this morning, perhaps it will resurface here later.

I think there is little evidence, so far at least, of any foreign support for this new generation of Filipino revolutionaries.

What is at stake for the United States in these elections? We will hear a lot more about this later on so I will only briefly mention the most obvious ones. U.S. interests include Clark Air Force Base, Subic Naval Base, the two largest U.S. bases outside the United States.

These American bases and all the telecommunications facilities that go with them throughout the Philippines are the crucial hub, I have heard that phrase again and again, the crucial hub of the Pentagon's forward defense system, of the Asia Pacific telecommunications network, of the Asian air command. It is crucial in the geopolitical sense in being right in the middle of a very large sphere of concerns for the United States, not only of interest to the Philippines, but to the United States global defense posture in this part of the world.

Economic interests include about $2 billion worth of direct investment, annual trade of about $4 billion. And about half of the country's foreign debt, $26 billion, is owed to foreign, principally American, banks.

In response to this considerable economic interest the United States has promised extraordinary amounts of assistance, above and beyond the current program of economic and military aid, to try and help economic reform and recovery after the election.

Also at stake, less material but no less important, is the democratic legacy of half a century of American colonial rule in the Philippines. The Philippines was the largest colony of the United States. It represents the most important attempt of the United States to export its ideals and institutions to any other country. Our legacy to the Philippines is very much at stake in these elections.

What are the election issues?

I think we all have a few key issues we think are very important to this election. I don't claim to have any great priority list here but there is one that I think is worth a little bit of discussion be-

cause I think it is central to a lot of the other problems; that is, the problem of economic decline in the Philippines.

Let me describe the economic problem briefly. In part it is a familiar problem for many Third World countries who are trying to pursue an export internationally minded economic growth strategy.

Import costs have increased significantly in the past decade, especially oil prices, after 1973. There was a major recession in the major industrial nations at the end of the 1970's. There was a decline in world trade since then. Decreased demand for Philippines exports has resulted in less and less Government revenue.

And the result has been a steady increase in the balance-of-payments deficit in the Philippines. This has been exacerbated by rising interest rates through this period. Protectionist policies in industrial countries have made their markets even more limited. All of these have exacerbated the Philippine's economic problems.

But they are all external in nature. Apart from these primarily external factors which the Philippines has had to cope with there are many other internal problems which have greatly compounded these economic crises from the outside, especially by financial mismanagement, and by corruption.

For example, a few examples—there could be a long list here but I will just pick a few. If anybody else has anything to add later on, please feel free to do so.

In 1984, IMF auditors discovered the total foreign debt of the Philippines had somehow been understated by $7 billion for most of 1983.

The reason was given as "accounting errors." It is now estimated to be around $26 billion.

Shortly thereafter it was discovered that the Philippines Central Bank had overstated its foreign exchange reserves by $600 million and then to make matters even worse, the money supply somehow had been inexplicably expanded by about 30 percent during the end of the last quarter as of 1983 and as a result of that, either mismanagement or corruption or both, there was a surge in inflation, perhaps as much as 50 percent by the end of the year, an alarming outburst of capital flight, foreign reserves dropped drastically during that period until the IMF imposed some very stringent economic austerity programs.

The austerity program in turn was very bitter medicine under these circumstances. It led to devaluation of the currency, cuts in a lot of Government spending programs, tighter credit controls, factory closings, job layoffs and as a result, real per capita gross national product fell by about 15 percent over the past 2 years.

All of this sudden economic contraction comes on top of a lot of persistent poverty in the Philippines. High unemployment has already existed for many a year. Declining real wages has occurred for 20 years. Widespread malnutrition persists, according to the Asian Development Bank and the World Bank. Infant mortality rates are high. All of these are symptomatic of one of the most unequal distributions of wealth and income in all of Asia.

Let me draw three political conclusions from this economic problem.

The first is that Marcos has lost the support of a large part of the business community both the domestic community and the

international business community. Indeed, many Filipino groups have gone into active opposition to the Marcos government.

The chief cause of the economic crisis, they say, is not the sagging world market for Philippines exports or anything else but rather they say it is the incompetence of the Marcos administration. So the solution, they say, is to get rid of the Marcos administration, not through armed struggle but rather through some kind of international financial pressure.

Another major consequence of this economic decline is that it is much more difficult now for President Marcos to continue his relatively well practiced techniques of payoff politics, patronage politics.

Under the current conditions of severe austerity, there just isn't enough to go around. This has long been the case for the lower half of the population; now this is affecting the middle class, and the upper class as well and they have reacted politically. You can see the evidence for this in the declining savings rates, deposit withdrawals, capital flight, the high number of recent bankruptcies, mergers. Many Filipinos are voting with their feet. They are leaving the country, especially skilled workers and professionals.

The visa applications have piled up at the U.S. Embassy until there are about half a million on the waiting list.

The third major, serious consequence of this economic decline is that there are now clear serious conflicts within the ruling elite. For example, Imelda Marcos has publicly criticized Cesar Virata, the Foreign Minister and also the Finance Minister for pursuing policies which have gotten the Philippines in this mess. Virata, in turn, has accused Mrs. Marcos of wasting scarce natural resources on luxury projects and other inessential activities.

There are some other economic players in the administration, in particular, Eduardo Cojuangco, who don't believe any of these people. They are developing their own private armies to protect their own important assets. In the interest of time, I will definitely speed it up and won't say too much about the radical insurgency except to quote one paragraph that appears in a very authoritative source, this year's "Far Eastern Economic Review, Asia Year Book, 1986," which describes the problem like this. "The NPA are exceptionally disciplined" and they practice their "efficient brand of revolutionary justice" whereas government armed forces, "are involved in kidnapings, tortures, salvaging, summary execution, intimidation of the rural population and frequent drunken binges at night with indiscriminate firing."

This is just one little piece of evidence from a large pile about the nature of the radical insurgency and the government response to it. There is just one last issue I would like to address in the limited time I have. I think it is a very important one because everybody seems to ask this question.

Will the elections be free and fair? I must say as a political scientist this seems like an implausible question. Usually you get rid of the dictator first and then you have free and fair elections. There are a few exceptions to that and I am not exactly sure what the situation is in the Philippines, but in any event, the structural advantages make it clear this is not going to be an open-and-shut,

fair-and-honest election because of all the advantages of the incumbency.

And it is not just any old incumbency; it is a 20-year incumbency most of which has been under authoritarian government. Marcos has all the characteristics of an authoritarian government, including control over the news media, the machinery of government, the electoral process, plus lots of experience in patronage and pressure politics.

He has not lost an election in 20 years. Nonetheless, I think it is at least plausible in the light of the tremendous pressure that has been brought to bear to take another fresh look at this particular election. We can observe that there are some promising signs and symptoms. UNIDO, for example, has been recognized as the legitimate opposition party and, therefore, should have some role in presumably scrutinizing voting procedures.

NAMFREL, the National Citizens Movement for Free Elections, has been certified as an independent poll watcher. We expect there will be many foreign observer delegations and journalists reporting on the campaign. However, on the other side of the ledger there is already a lot of evidence of padding of registration rules, payoffs, denying access to the opposition, to the media, bank of election observers from within 50 meters of the election booths.

We can go on and on with this, but I won't because somebody else has already written the article on it. I recommend all students of these elections to read this, required reading, that is by Seth Mydens, "A Legacy of Dishonesty Fuels Election Fears in Manila." It is a veritable catalog of all ways to steal an election and how it is not being done in the Philippines.

Mr. SOLARZ. I can use that in Brooklyn.

Mr. ROSENBURG. Which leads me to some doubt the elections will be free and fair. That leads to another question and I will just answer this and end on an ominous note. What if the elections are marred by fraud and violence? Both sides have promised a protest and a demonstration if their side loses.

By next week at this time this is what the situation will be in the Philippines. I think the level of violence has been steadily increasing and escalating, in fact, more or less geometric proportions and can be expected to increase as a result of the decision made March 22, 1985, by which President Marcos gave control to local mayors and governors in about 1,500 cities over the civilian home defense forces and local police. That is over 100,000 forces.

They are well armed but very poorly trained, very poorly disciplined. Marcos made this move, he said, to help local mayors respond quickly to local NPA attacks, but I think it is more widely seen as an attempt to arm Marcos loyalists with forces to win votes through intimidation.

Many killings have occurred already; more than the past elections in the Philippines. If widespread violence does break out during the election campaign, then it seems clear to me that the situation could deteriorate very rapidly. If worse does come to worst, if the elections are not free and fair, if they are marred by fraud and violence and if they are perceived to be so and if they are reported to be so and if the economy continues to decline, if living standards continue to decline, if government authority crum-

bles because Marcos is no longer physically capable to govern or if any post-Marcos government can't form a big coalition with widespread support, then by all logic we can expect not only the radical insurgency but the popular insurgency to increase with much greater force.

And then what will we do?

Mr. MORSE. Thank you very much.

Mike, you are up.

STATEMENT OF HON. MICHAEL H. ARMACOST, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

Mr. ARMACOST. I will be very brief.

It is the lot of the diplomat to poise uneasily between cliches and indiscretion. I am sure you are yearning for the indiscretions with an election 4 or 5 days away. My mentors are hoping for cliches. I will try and find some tolerable balance.

As I listened to Professor Rosenberg I was reminded of a story. I have been reminded of it often thinking about the Philippines. It concerned a fellow who always saw the bright side of things and he irritated his friends because no matter how gloomy the situation he would always say, God, that is bad, but it could have been worse. And his friends got so aggravated by this eventually they decided to put him in his place, so they decided to manufacture a story that was so grotesque in its implications that even Bill couldn't find something good about it.

So they got him at the bar the next day and said, "Did you hear about Tom?" Bill said, "I didn't." They said "Tom came home yesterday and found his wife in bed with another man, went and got his gun, shot his wife, shot the man, turned the gun on himself and shot himself."

Bill thought for a little while and said, "God, that is awful," he said, "but it could have been worse." This fellow says, "How in the world could it be worse? The man is dead, his wife is dead, the other fellow is dead." He said, "Well, if this happened one day earlier, I would be dead."

I haven't heard anybody looking at the bright side of this election. I will tell you briefly the premise from which we proceed. I think you have heard a great deal about U.S. policy. It is no great secret we testified with some candor on the Hill now for over 1 year.

We have not tried to conceal the assumptions of policy. One of the assumptions is that in dealing with the Phillipines we are dealing with a friend and an ally, a country with which we have had a very long association, a nation that is formed in some respects in our own image. It is a sovereign nation which insists upon respect for the Filipino people and respect for its own sovereignty.

That is perfectly proper. Second, we proceed from the supposition that the Philippines has workable democratic institutions and a very impressive material base and a very talented, educated people and, therefore, there is a path to recovery both of economic health and a restoration of confidence in government, a potential path.

Third, we proceed from the supposition that there has been in recent years a very serious loss of credibility on the part of govern-

ment. There has been a very serious economic decline that is apparent to everybody. There are problems of political malaise and corruption that inhibit the effectiveness of governmental responses to an insurgency which has grown in size and which has been diversified geographically now for 3 or 4 years.

We proceed further from the supposition that the Philippine Armed Forces have declined in their professional capacity to cope with an internal military problem and beyond the loss of professionalism which we see as outsiders there is also an acute shortage of resources with which to combat insurgency which has been growing.

Finally, we proceed from the premise that a very well-organized and determined Communist insurgency exists which builds on these weaknesses, to some degree, and on the vacuum of governmental authority, especially rural areas. That organized insurgency is growing.

It is clearly seeking to establish Communist rule. While to some degree it has been capable of attracting the support of people who certainly have no ambition to see the Philippines ruled by Communists, nonetheless, it is led, it is centered, by determined, ideologically rigid people who have made no secret about their position.

These are not agrarian reformists who are running this, although they may have attracted reformers to their cause. Let me speak about current issues, some issues of greatest concern to you, so you can dictate the direction in which we move. I don't know what prompted President Marcos to call the snap election.

It was not pressure from us, although we are perfectly satisfied and delighted that there is the prospect of early elections. We think the government whose credibility has declined, who has lost considerable confidence of the people, needs to seek a mandate.

Anytime during the last 2 years would have been a good idea. I won't quibble with Professor Rosenberg's analysis. I just don't know. Maybe it was Senator Durenberger that prompted this.

Senator Durenberger might be surprised he had so much influence. The one thing I would quibble with, I doubt anybody can have a casual conversation with Sam Donaldson even off television. But whatever the motivation, I think the elections are salutary and we welcome them. We think these elections represent a significant opportunity for the Philippines to continue and hopefully expand the process of democratic normalization that has been going on for a few years.

It has been the product of pressures, for the most part domestic pressures, within the Philippines exacerbated especially in the wake of the Aquino assassination which forced some relaxation of the press, which forced relaxation of the rules on political assembly, which produced some clarification of the succession rules in 1983, which resulted in the acknowledgment of the special role of the National Citizens Movement for a Free Election in the 1984 elections, which produced, as Professor Rosenberg has said, an election result which represented a clear bit of progress over the representation that they had held in the assembly prior to the May 1984 election.

So we regard these elections as a crucial step in restoring confidence and hope and potentially enabling a newly elected govern-

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ment to proceed with confidence of domestic support and tackling extraordinary problems which include, as I have said, an insurgency that is growing, an economic problem that is rooted not least in confidence in government as well as confidence in the future of the economy and malaise in the political system.

We believe that for this opportunity to be realized, the election must be fair and it must be credible to the Philippine people. It ought to be a genuine expression of the people's will. It is essential in our judgment, whoever wins the election, then not use it as an excuse to resist the reform agenda but to regard this as a mandate for proceeding with resolving very difficult problems.

I don't envy the winner in this election in some respects because the problems are monumental and have been accumulating for some time. They are not going to be solved overnight. But clearly I think, at least in my view, they cannot be solved unless the government enjoys the confidence of the people and can proceed to exact from the people the kind of sacrifices required on the basis of having won that kind of genuine mandate.

Now, as I said, we didn't take credit for the election, but we welcome it. There has been a tendency, I think, in describing the election in public to overemphasize some aspects of the environment which are perhaps secondary and to ignore some of the factors I think that are positive.

The positive elements—I think these are quite important and some have been mentioned—first, the fact that a strong, unified opposition can contest the election. Back in November I don't think you would find a lot of people around this town who expected the opposition would get its act together and put forward a slate which is contesting the election in a way in which I think scares the pants off the incumbent government.

Certainly it excites in the minds of the most shrewd political analysts in the KBL a fear of the result. I don't think there is any question they take the election very seriously. That was not anticipated as little as a couple months ago.

Second, there has been the mobilization by the National Citizens Movement for Free Election of hundreds of thousands of citizens to monitor the polling on February 7. That is a very positive development. Of course, it was responsible for what was regarded in 1984 as a rather fair election and they have had relatively little time to organize for this election, but I think perhaps the sense of urgency inspired by early elections has resulted in quite an impressive display of political organization with modest resources.

The third factor was the decision by COMELEC to designate the opposition party UNIDO/PDP Laban as the dominant opposition parties enable the opposition to have in place its own people to monitor the precincts and the candidacy.

I think that is consistent with our own system of leaving to the opposition the principle of ensuring fairness. Perhaps the COMELEC is an idea that works when there is frequent change of parties in power because then there is a greater assurance of the neutrality of such a commission. After such a long period in power, I think, it is inevitable that confidence in the neutrality of such a body begins to wane. But if the opposition can on its own authority be

present and monitor the poll place, then there is greater confidence they can call attention to egregious efforts to perpetrate fraud.

Then there are the great strides that I think have been made by opposition in its own ability to get its message across to the Philippine people in the media with the exception of television. I won't argue there has been equitable access to the media in the sense of 50–50. But I think the capacity to operate across the length and breadth of the country, the role that has been played by the Catholic Church, to some degree the declining credibility of those major organs of the media as a transmission belt for political machinery on the part of the government have tended to equalize to some degree the access, although the government enjoys special advantage in that area.

Then there is the fact the observers would be allowed to witness the counting. A comment was made and it has been emphasized in the press, the foreign observers won't have access to polling places. I am not sure that is the fact. I would expect there probably will be access on a de facto basis by our observers to polling places.

Whether that is announced in advance, I don't know, but I would be rather confident that people will have that sort of access.

In other words, it seems to me there are positive aspects of this election which should not be ignored despite the prevailing tendency in the press to assume a preordained result.

So I think the election is shaping up as a real contest, and again I reiterate the evidence where that is most compelling is the fact that associates of President Marcos on the political side believe they are in a real horse race. In view of these developments, I think one should not write this election off at this stage. I don't know what is going to happen.

I don't think anybody here knows. I think it is true that an independent government has enormous advantage of incumbency. This certainly includes an advantage in the financial resources it can deploy, and this is quite a huge imbalance.

Second, there are advantages of organizing out of the fact that the KBL was organized down to the grass roots with the barangay system and that gives them a capacity to utilize their financial advantage in ways to get the vote out and in ways that help use their financial resources absolutely from a political standpoint.

Then there are the obvious advantages of controlling some of the machinery of the election, but when that is all said and done, the disadvantages of incumbency are not to be written off. An incumbent has to defend a record and after being in office for 20 years there is no doubt about who is responsible, and therefore people can measure their condition against the situation they found themselves in a few years ago.

Beyond that, there is an electorate, 60 percent of which is under 35 years of age, and the mood for change tends to be a characteristic for younger voters. That in itself is also a disadvantage for incumbent government. So I think if you look at the profile of advantages and disadvantages, the government is not quite as black and white as sometimes it is portrayed in the press.

We have decided, as you all know, to send observers. Why did we do this? Well, in part, we were invited to do so. In part we felt it would be useful on the margins. Foreign observers, we hope, will

not be regarded as meddlesome interference in the election system of a sovereign country.

We think they can perform on the margins again a useful deterrent role and a useful role in encouraging a fair and free election. We doubt that these observers, small in number, observing an election at 90,000 polling places can themselves really cover that much of what goes on and, therefore, we should have no illusion.

Their ultimate judgments have to be the judgments that are reached by Philippine people, and that is proper. It is a Philippine election not an American election, and the judgments about its fairness are ultimately to be rendered by Filipinos. To that extent, I suspect the observer group that is sent by the President and those that are going out under the auspices of the National Democratic/Republican Parties ultimately will take their cues from the assessments and judgments of those Philippine groups who appear to be neutral and committed to a fair electoral process.

We have said that we would be prepared in the wake of a fair and free election, and assuming those who emerge from that election demonstrate a willingness to undertake serious reforms in the economy and on the military side, to come up with additional economic and military assistance.

I hasten to reiterate there are two conditions. First is that elections are fair and free and, second, whoever emerges demonstrate the capacity and willingness to address the reform agenda. It is going to be difficult for us, obviously, to come up with additional resources given the constraints on the security and economic aid and in the face of Gramm-Rudman.

But we believe that our association with the Philippines is so important, the strategic stakes there are especially great, that if the conditions exist for addressing very major problems that have accumulated over 4 or 5 years, then we ought to be prepared to stand up to that problem and to consider additional support.

I think I will stop there simply with a concluding remark.

The elections are not the be-all and end-all of American policy, but we do, as I said, regard the elections as exceedingly important as an intermediary objective. If they come off in a manner that is credible and reasonably fair by Philippine standards—they have to be the judge of this—then we have got a chance of dealing in a more effective way jointly with problems that affect Americans as they affect Filipinos.

These include the question of economic revival, include the question of military reform. We have major stakes there. We have got to be engaged with the Philippines no matter what happens. Clearly our ability to operate in an environment that is positive depends a lot on how things turn out on Friday. That is why we have devoted much effort over recent months to encouraging to the extent we can that the process is a fair one and encouraging those who have dedicated themselves to that process.

STATEMENT OF HON. STEPHEN J. SOLARZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. SOLARZ. Well, after these two presentations, I am not sure how much there is left to be said.

Let me try to offer a few thoughts about the political process which is now underway in the Philippines. I should perhaps begin by saying how honored I was a few days ago to be designated by President Marcos, together with such other dangerous radicals in the United States Government as Mike Armacost and Paul Wolfawitz and Richard Armitage and Senator Lugar, as a member of a gang of five intent on wrecking United States/Filipino relations.

Mr. ARMACOST. May have helped you. It didn't help me any.

Mr. SOLARZ. I apologize, Mike, to the extent that you are now guilty by association, but it appears that President Marcos seems to think that we are responsible for impairing the otherwise sound instincts of the President of the United States, and I can only say that I was flattered to be included in such company.

Professor Rosenberg in his remarks seemed to be suggesting that I would use some of my time to discuss the issue of hidden wealth in the United States in view of the hearings that have been conducted on this issue recently by my subcommittee.

I would be happy to answer any questions about it later on, but I would prefer not to use up any of my limited time by discussing that issue. Let me simply say in case you have been wondering why I actually held these hearings, that it was not because of any desire on my part to influence the outcome of the election in the Philippines.

It was not really even because I thought it appropriate to hold these hearings into the allegation concerning the Marcoses' hidden wealth in the United States in order to establish a basis for American foreign policy toward the Philippines.

It was simply because as a Congressman from Brooklyn I resented the fact that all of this money had been poured into Manhattan. I told Foreign Minister Castro of the Philippines when I saw him in Washington last week after we both appeared on Nightline when he asked me why I was focusing so much attention on the president and the first lady, that if they had been willing to put some of this money in Brooklyn, I wouldn't have made such a big stink about it.

Let me, to be more serious, say a few words about the situation in the Philippines and its implications for U.S. policy. I think it is important to take note of the fact that there is a, remarkable analytical consensus in Washington shared by both the executive branch and the Congress concerning the situation in the Philippines.

I think, for example, there has been a widespread recognition both downtown and on the Hill concerning the significance of our military facilities in the Philippines and an understanding that our continued access to Clark Field and Subic Bay are very important in terms of our ability to preserve the peace and maintain a balance of power in Asia.

I think all of us recognize that it would constitute a significant setback for American interests in the region if we were ever denied access to those facilities. I think we also recognize that all of our friends in the Pacific would be deeply concerned if we were one day to be deprived of those bases.

Second, I think there is also a widespread recognition in both the executive branch and the Congress of the significance of the Communist challenge in the Philippines, a feeling that if present trends continue, there is a very real possibility that the NPA could achieve a position of strategic parity by the end of the decade and quite possibly even win power by sometime in the 1990's. All of us agree that that would clearly not be in the interest of our own country.

I think we also agree it obviously wouldn't be in the interest of the Philippines either.

Third, I think there is a consensus about the need for a whole series of fundamental political, economic, and military reforms if the Communist challenge is going to be thwarted, such as the need for free elections, the elimination of the monopolies, an end to crony capitalism and capital flight, the elimination or removal of corrupt and ineffective military leaders and their replacement by men who have a genuine commitment to military professionalism.

Finally, I think there has been a pretty broad agreement over the importance of the forthcoming elections on February 7 and the extent to which a genuinely free and fair election could set the stage for a restoration of confidence on the part of the Philippine people in the prospects for peaceful change and integrity of their own institutions, just as a fraudulent election could set the stage for eventual triumph of communism in that country.

Therefore, to be sure, there would be some tactical differences between some of us on the Hill and the administration. I think clearly a number of us would have preferred a greater willingness on the part of the administration to use our aid program in the Philippines as leverage in an effort to induce the government of that country to make the reforms we all agreed were necessary.

But those tactical differences, I think were by far overshadowed by the underlying analytic consensus which has been shared by virtually all of the key players in this drama over the course of the last year here in Washington.

Whether or not this consensus can be sustained—and personally I very much hope it can be because I think we are always far more effective abroad when we are united at home—will depend more than anything else on what happens on February 7.

If Cory Aquino wins the election and takes office and proceeds to implement the reforms we all believe are necessary, I think it might indeed be possible—the rigors and restrictions of Gramm-Rudman notwithstanding—that Congress will support a substantial increase in our aid program for the Philippines.

I want to make it clear that I personally would be prepared to increase between $1 and $10 billion for the Philippines because I think whatever the amount was it would be money well spent. I think our interests in the Philippines are that substantial.

If Mr. Marcos should win what is perceived by the Philippine people to be a genuinely free and fair election, I think the results will not only be accepted, but respected on the Hill, and I suspect by many people in the Philippines as well, even including a number of those in the opposition.

But if Mr. Marcos should be the beneficiary of what is perceived to be a fundamentally fraudulent election then I think the consen-

sus we have enjoyed here in Washington could very easily go down the drain because under those circumstances, I think there would be a clamor in the Congress for us to disassociate ourselves totally from the Government of the Philippines if the administration states that given the nature of our interests there, however bad the situation is, we have no alternative but to continue pumping in more funds to that country. I think that would set the stage for a major political confrontation between the Congress and the administration.

Now, at this point with your permission, Mr. Chairman, I would like to go off the record.

[Off the record.]

Mr. MORSE. Mike, would you like to say anything before we open it to questions?

Mr. ARMACOST. No.

Mr. MORSE. We are back on the record, so if anybody again wants to be off the record you have to speak up. Raise your hands and I will try to identify you, but if not, if you could identify yourself. Your name won't be identified in the record, but you should identify yourselves for the benefit of the speakers.

QUESTION. First of all, let me say the notion that we are talking about here I think really reflect an American predisposition to project on the Philippines our own system of inferences. For example, we have some reasonably credible data on the Philippines that has been supported by secondary analysis, surveys, and polls conducted by credible institutions that have run now over three solid years.

Now, in the elections prior to the May 1984 elections a plurality of Filipinos felt the elections were honest. Now that surprises you but that happens to be the perception.

Now, in the May 1984 elections, 62 percent of the Filipinos said they were honest. Now they had the option of saying, I don't know, or I refuse to answer. Sixty-two percent said that they thought they were fair.

Now, if it was so evident that they were corrupt as Professor Rosenberg suggests, it seems to me either Filipinos are impaired intellectually or we are mistaken about the political culture of the Philippines.

I suspect we are mistaken about the political culture of the Philippines.

Now, it seems to me that most people expect Marcos to win the election. Now, whatever evidence we have indicates that is the case. They have not communicated why this is the case. But let me suggest this.

In the present elections, the Philippine Government has made considerable concessions, that is, they have provided a medium of communication for the opposition, the opposition has organized itself reasonably well. The surveys conducted with respondents indicate 68 percent of them read, Mr. and Ms. Veritas, Malaya, a variety of opposition papers. They are well informed about the issues. The question is whether the elections are going to be fair or not. Now I would suggest that in all probability they will be as fair as Philippine elections are.

In the event that Marcos does win, it seems to me that we have to be prepared for the alternatives but it seems to me it is not as negative as has been thought. First of all it——

Mr. MORSE. Could you keep it real short because other people want to say something, too. If you have a question, sir?

QUESTION. The opposition is articulate, it is organized, they have moderated their opposition and that is very possible and if they lose the election, they have been so well organized and be an effective opposition that they will be a continued effective opposition.

If Marcos wins while it will be difficult to impose reforms on him, everything indicates we have a great deal of thinking to do about our policy but it seems to me the picture painted here is really overly negative.

Mr. MORSE. Anybody want to respond to that before we move on?

Mr. ARMACOST. I would make a comment. I don't share, myself, the apocalyptic vision of what happens after next Friday. I think I do agree with the last sentiment expressed, there has been a process put in motion and it is not something that has happened in the last few months, it is going back several years.

It seems to me while if the opposition loses there will be some elements of the opposition that are deeply dispirited and I wouldn't predict how they would respond. But I do believe that liberties of political assembly, the relaxations on former constraints on the press, I believe the larger role that opposition people will play, all take on great significance at a time when President Marcos' health is not what it was before and when he has taken steps to render the succession more predictable through his selection of a vice president, who I think enjoys quite a lot of confidence throughout the country.

So all those are facets of the political system which are positive and which will be positive no matter what the election results, although I certainly don't question the fact that if there is a widespread Filipino perception—here I agree with you and I think nobody here said anything different—it is the Filipino perception that people have been robbed, I think, that will impair the legitimacy of the government and impair their ability to secure external support needed to deal with problems.

Mr. MORSE. Yes, sir.

QUESTION. Yes; I hate to ask a question of my colleague after talking in a lot of cliches.

I wonder what the American Government will say and do if there is egregious activity of the sort we are all afraid of. You have just said, Mike, we might well be in a situation where we would see the legitimacy of the government and political system deeply impaired. Are we prepared if need be to make attitude adjustments?

Mr. ARMACOST. I won't answer the hypothetical question because I will not assume that as a result as an official. Steve is answerable to his constituency. I am an official of the U.S. Government. I don't have a personal opinion on this for this audience or for any other audience at this point. There is a highly emotional election campaign going on. I don't think it is appropriate for me as an official of the U.S. Government to inject myself into that with hypothetical comments about hypothetical situations.

I don't assume that is going to be the result. As I said earlier, I see a real horse race and I see some things that are encouraging, I think, and I am going to keep my fingers crossed.

Mr. SOLARZ. Let me make an objection here. I think we all agree that the real test of the honesty of the electoral process is how it is perceived by the Philippine people. But I would suggest that the operative test of that will be the judgment of NAMFREL more than any other single factor.

I believe, for example, if you had an election in which NAMFREL reported based on the information it had objected from hundreds of thousands of its people who had been given access to polling places throughout the country, that the election was basically free and fair, and that the fraud was at a bare minimum and clearly didn't effect the results, and Mr. Marcos won that kind of election, my judgment is that there would probably be a much greater, albeit grudging acceptance, of the results on the part of the opposition than one might imagine.

I certainly think there would be a willingness on the part of the Congress and people of our country to accept it because we do have a deep commitment to democracy or quademocracy and if this is what the Philippine people want, they are entitled to have it.

The question comes up, what if NAMFREL reports the election was phony and the Philippine people think it was phoney. Then, I really think, there will be massive polarization. I agree fully with what Mike and Professor Rosenberg have said that there has been progress in the Philippines in terms of political freedom when you compare the situation today to what it was like several years ago.

But you could make the same objection about South Africa, from an objective point of view a whole series of reforms have been taken by the government there that in the last few years, statements made by the leadership, that would have been inconceivable a few years ago. Yet the blacks in South Africa are more unhappy with their plight today than they were then, perhaps because expectations have been raised so high. I think that is exactly the situation that exists in the Philippines.

I think that the opposition and millions of moderate Filipinos view these elections and the last best and perhaps only hope left for peaceful change in their country. If this election is stolen and if they think it is stolen, I think they are likely to conclude in spite of the fact that there is an opposition print media, in spite of the fact that the election was held, that this is the last straw, that it proves that there is no way through peaceful means to get rid of a government that they would like to see out of power.

And under those circumstances, I fear that the alternative to the Marcos regime may in fact become the NPA. Until now I think the real alternative to the continued authoritarianism of the current government was not the NPA but the restoration of democracy.

Let me say here, Mike, that I think that if the elections are clearly fraudulent as defined by the Philippine people and Mr. Marcos is therefore reelected, that I think that pulls the rug out entirely from under the policy we have been following until now because our policy for the last year or 1½ years, 2 years, has basically been a policy in which we have called on the government of that country to make fundamental reforms.

The notion that fundamental reform is even possible in the wake of a totally stolen election would be seen by virtually everyone as a naive illusion at best. I don't think it would be possible to sustain support for continued assistance to the Government of the Philippines on the basis of the hope that we would use that aid in a way, as a method of inducing reform.

So I think that is why I think February 7 is such a watershed and why I believe in a worse case scenario we have to do fundamental rethinking of our policy.

QUESTION. There was a significant delay in the announcement of the results of the Batasan election. I would be interested in the three panelists' sense of whether the situation and relative power of particular NAMFREL and COMELEC has changed over that period so we might see a different kind of dynamic.

I would just be interested in their sense of the roll, the power, the influence and the commitment of those different organizations should we see a situation in which the results, there is a delay in the announcement of the results.

Mr. MORSE. How much do you mean in terms of——

QUESTION. A week beyond the point, you know, and whether the United States either in Congress or the executive branch has a potential role to play to deal with that kind of a situation.

Mr. MORSE. David, is there any record of what is a credible term of delay in that type of a system in terms of reporting?

Mr. ROSENBERG. On appeals and challenges to the results are allowed and I think they are given up to 60 days to adjudicate them, is that correct? I call on Majorie Niehaus to address this. She addressed this earlier and I think that is the current.

QUESTION. I believe COMELEC has 30 days before a winner has to be proclaimed and if the contest if protested the Supreme Court actually has a year by which it could consider a protest.

Mr. ROSENBERG. I don't think we can view these as definitive. Elections have been certified on much less basis than this. The original constitution of martial law was certified by a show of hands. So this is an arbitrary government. Remember how these elections were first set. There was a period during which he wondered, should I have a snap election or not. I remember a headline, "Marcos decides not to hold elections right now."

There is a certain amount of arbitrariness to all of this. So we should not assume what appears on paper somehow what may be deeply imbedded in the culture of the situation. I think a stalling tactic might be something Marcos could use, has done in the past to try to muddy up the result and call in counter challenges and it would all get messy.

If violence is provoked, and I suppose the NPA has a stake in provoking violence, he may then declare some kind of emergency or reinstitute martial law as he has said he might if there were provocation.

So I think the transitional period is very precarious and others have even suggested that it might produce a short-term crisis within a week.

Mr. MORSE. Is that what you mean?

QUESTION. Yes, but I mean, how powerful is COMELEC, how much of a role can NAMFREL play in that?

Mr. ARMACOST. I think they have been negotiating in the course of the last few days over the procedures for quick count and I think I heard on the press this morning there had been a resolution.

I frankly have not seen any confirmation of that from our reporting today from the Embasssy. So I don't know if it has been resolved. They were negotiating over procedures. I think the government had a concern about a quick publication, publicity about the count in major areas for fear that any result that then emerged as a result—the tally coming from the provinces—would look like a fraudulent election whether it was or not. They have been negotiating, I gather.

Maybe they have reached resolution of this. It is a very important issue because the quick counter procedures, if they can be worked out amicably in a way that provides some assurance against fraud—are a very important deterrent.

Mr. ROSENBERG. There is one more piece of information I can think of that might add to this.

Certainly NAMFREL is a lot more experienced now and seems to have a lot more support, especially outside the country, as well as inside the country. While we work out the details of a how to count the election, if I am not mistaken the government has already preempted all the cable communications facilities in the country for the tabulation and the reporting of results, and the military will provide the computers that will aggregate them to the final returns.

So what do we make of that?

Mr. MORSE. Do you want to say anything?

Mr. SOLARZ. Two quick observation in response to your question.

First on NAMFREL, in the 1984 elections they mobilized 150,000 volunteers to monitor the electoral process, but that was a stunning achievement. I don't know that we have 150,000 people working on election day in our country in the presidential campaign.

I think that bespeaks the degree to which there really is a deeply rooted desire on the part of so many Filipinos for a restoration of democracy.

Jose Concepcion, head of NAMFREL, told me on one of my visits to the Philippines that in 45 percent of the polling places where NAMFREL was able to gain access they felt the election was reasonably honest.

But in the 55 percent of the polling places where the people were either unable to gain access for logistical reasons or were denied access because the authorities that control those areas were supportive of the government they felt the elections had not been particularly fair.

He told me that it was his assumption that if it had been free and fair throughout the country as a whole the opposition instead of getting just one-third of the seats in the parliament probably would have had a majority.

Let me say something about the COMELEC.

Mr. ARMACOST. If I may, in the last election I believe the dominant opposition designation went selectively to other parties and that is a very important factor.

Mr. SOLARZ. Yes; I agree with you. The fact you need to be also accredited as the dominant opposition is one of more hopeful signs.

Let me mention something about COMELEC which may yet turn out to have relevance for the outcome of this election.

Mr. MORSE. Could you tell the people what that means?

Mr. SOLARZ. Commission on elections. It is responsible for supervision of the electoral process in the Philippines.

There are nine members of COMELEC. In the 1984 election if I recall correctly, six members were considered loyalist of the President, one was considered an independent and there were two vacancies.

Now, there were 62 electoral challenges submitted to the COMELEC in the last election. You will be interested although perhaps not surprised to find out that of those 62 electoral challenges 60 of them were resolved in favor of the KBL or the governing party.

I am told that if those 62 challenges had been split down the middle and one has to assume that in the nature of things fraud in favor of the government was more likely to take place than fraud in favor of the opposition, and, therefore, an objective assessment probably would have led to more than half going to the opposition, but if it had been just split right down the middle, 31, 31, the opposition instead of having one-third of the seats in the parliament would have had one-half of the seats in the parliament.

I have got to say, frankly, this is one of the things that very much concerns me. Although Mr. Marcos recently filled two of the vacancies with individuals, I presume, that are considered more or less independent—maybe they are not—but even if they are, it means that six members are considered loyal to him and three are considered independent, so he has a clear working majority, I am concerned about the possibility that when the results come in, the COMELEC might systematically go about disallowing the results from areas where Mrs. Aquino has one won by big margins until her totals are brought below his totals and then he is pronounced the winner on the basis of an election in which all the fraudulent votes were eliminated and only the "honest" ones remain.

So there is a lot more involved in determining whether this is a free and fair election than how many ballots were stuffed into the ballot box on election day. It is what the COMELEC does after the votes have been counted that may determine ultimately whether this election was really fair or not.

Mr. ROSENBERG. May we have a followup point on this?

VOICE. I would just like to clarify certain points. One is you were mentioning about the operation quick count. The operation quick count, there are negotiations, but as of my last conversation with Joe Concepcion last Wednesday, he said NAMFREL is going to go ahead with operation quick count with or without the consent of the COMELEC. We did this in 1984, as you would know.

In 1984, we were prevented from having operation quick count, but we went ahead anyway and we were successful to a certain extent. So now we are again going to go ahead with operation quick count.

Mr. MORSE. What does that mean, "operation quick count"?

VOICE. Operation quick count means COMELEC would take about 1 week to come out with official returns. What we do is from every precinct where we have a poll watcher, we submit the re-

turns by courier, by radio, by bicycle, by tricycle, by whatever province we are from we bring it to the provincial chapter.

In the provinces we don't have electricity sometimes. It is very difficult and as you said, the telegrams are sometimes frozen. This is controlled by the government. So what we do is by courier we bring it to the provincial chapter. From the provincial chapter then we can now send the results to Manila; in Manila it can be posted.

In Manila we have the computers, but not in the provinces, but anyway, in spite of that, last time in 1984 we were able to come up with certain—maybe 60 percent of the trends by midnight and by noon of the following day we already had more or less 80 to 90 percent of the official returns by these crude means.

Now, for this particular election we have had more experience, and the other thing is we have more organization. Now we are organized in all seven electoral provinces in the Philippines.

Can I say something about the COMELEC?

The COMELEC is very powerful. One thing, though, I can say about COMELEC is they have to go by what results are in the ballot boxes. So if there is any fraud, it has to do with the switching of the ballot boxes.

So when the government comes, they may not be counting the right box. So our volunteers have been told "you watch the ballot boxes from the time it leaves the precinct up to the time it is brought to the COMELEC office in the provincial chapter," and we are determined to do this.

As Joe Concepcion said this morning, he said if every Philippine will chain themselves to the ballot box until it goes to the precinct, then maybe we will have a 50/50 chance of fairness. That is all I have to say.

Mr. MORSE. Thank you very much.

Either of you want to say anything? Yes?

VOICE. I am thinking about the presentation by Representative Solarz. He asserted that Mrs. Aquino is a person of honesty and integrity and if she were elected it would be good for the Philippine people. Good.

He also asserted, thinking of the interests of the United States, that if Mrs. Aquino was to be elected, that he feels that she would allow the U.S. bases in Subic Bay and Clark Air Force Base to remain in place, but she would drive a hard bargain. OK.

My question is to Professor Rosenberg. Do you agree that if Mrs. Aquino would be elected, she would allow the U.S. bases to remain in place?

Mr. ROSENBERG. I think the current updated version of her position on the bases is that she was in favor of eventual removal of the bases subject to discussion, debate, referendum and a few other appeals to popular decisionmaking processes. I think that was done at least tactically for members of her coalition, UNIDO-PDP-LABAN coalition. Again, when you look over the record, the last few weeks she has said several things at different times.

I don't know if I would call that waffling.

VOICE. What do you think she would really do?

Mr. ROSENBERG. Let me put this in broader perspective. I think she will, as all subsequent Philippine politicians will, move away from the very strong pro-American foreign policy orientation they

had at independence. This is a policy, I think, has gone on over three decades and has not really changed fundamentally during martial law. In fact, it was President Marcos who really started normalizing Philippine foreign relations with Japan and China and the Soviet Union.

When he first ran for president, in fact, he ran against sending Philippine troops to Vietnam. So this is an evolving issue in the political culture of the Philippines. I think that any patriotic Filipino might find objectionable things about the U.S. bases there.

We have given it a lot of friendly coverage here tonight. Let me speak up a little bit for those on the other side of the issue who find some serious problems with it. All of those, I think, would be subject to renegotiation and, indeed, the current policy of hedging our bets by exploring other alternatives to the bases seems wise simply to gain more leverage in subsequent negotiations on the bases.

Mr. SOLARZ. Could I offer a thought on that?

It seems that any politician in the Philippines who calls for a referendum on the American bases in order to determine whether they should stay or go does not want to get rid of them.

First of all, like, for example, Felipe Gonzalez' call for a referendum whether Spain should remain in NATO. Mr. Gonzalez obviously does not want Spain to leave NATO but because of the politics of his situation, he was obligated to deal with tremendous pressures against Spanish participation in NATO and he dealt with it by calling for a referendum.

I suspect that there is probably much less opposition to the bases among the Philippine people than there is to Spanish participation in NATO on the part of the Spanish people. My experience in the countryside has been that to most people it is not an issue. They said there is not widespread demand for the removal of the bases.

What there is is in spite of everything a fairly remarkable residual good will and friendliness toward the United States. I cannot believe that if she becomes President and a few years from now there is a referendum and the bases are no longer a lightening rod for criticism of the United States because it is the bases that provide the justification for an aid program which is seen by opponents of Marcos as a way of propping him up that in such a referendum there will be much of a chance of convincing the Philippine people it is in their interest to get rid of the bases.

Finally, let me say, particularly with my good friend Ambassador Koh here, I assume if Mrs. Aquino wins the election and takes office, that within 1 month of her—I was going to say moving into the Malacanang, but I gather she said she is going to turn it into a honeymoon hotel, I hope she would let me use it with my wife for our second honeymoon—but I suspect that within a month of her becoming President, if she does that, emissaries will arrive in Manila from most of the other ASEAN countries, from Japan, Korea, Taiwan, Australia, from all over the region, importuning her not to get rid of these bases.

I mean she is going to be functioning in a very different political context than the context in which she has been obligated to function as she moved toward the elections. I think in that broader context the chances are very good that she will respond by concluding

that it is not in either the interest of the Philippines or the interest of regional stability to precipitously force us out, which is basically why I guess I am relatively optimistic.

Let me say here lastly that I think Mike Armacost referred to this. You know, whatever Cory Aquino's shortcomings may be in terms of her lack of experience and her lack of knowledge about some of the issues that confront the country, one has to concede that almost by definition this is a woman of some not inconsiderable political talents given her success in unifying a historically fragmented Filipino opposition.

As Mike said, a year ago at this time who would have believed that the Filipino opposition would have united around a single candidate? Who would have believed that there was a Filipino politician with the skill and the sense of political timing which led to one would-be Presidential candidate after another withdrawing in her favor while a million Filipinos signed a petition calling on her to run? I don't believe this was entirely accidental.

I believe she had something to do with it. That suggests to me a degree of political skill which augers well for the future in the event she should become President.

Mr. ARMACOST. I would make just a brief comment. I think in general I agree with that. It is possible as in New Zealand to have changes of policy which don't reflect broad popular sentiment so much as changes within the party, the dynamics within a party. I don't think one knows as yet who will wind up as the most consequential advisers of Ms. Aquino if she is running things.

There are clearly strong nationalist strings within the opposition. There are also, as a result of the mobilization, middle class opinion, strong pragmatic sentiments that have been attracted to the opposition over the course of the last couple of years from a business class with strong connection with this country.

I tend to, I think, agree that a combination of absence of strong ground swell popular opposition and the tangible economic benefits that flow from the continued association plus the advice which I likewise believe would probably come not only from ASEAN neighbors, but from Japanese, Chinese, everybody except for possibly the Vietnamese and Russia, would keep the strategic prejudice there. I think the combination of those objective factors gives me at least a good deal of confidence.

We will retain our strategic presence there for some time. So I would reiterate what we have said, that we are pretty confident we will retain a strategic relationship with the Philippines with any government that is popularly elected.

VOICE. Let me give a few remarks, perhaps very simply to say that Mrs. Aquino has stated that with regard to the base, there would be no withdrawal if the Philippines would not be in a position to prevent any foreign power from filling the vacuum of the American options regardless of ideology. More or less, that clarifies how she thinks on the general question.

While she is responding to pressures or perhaps reactions to a very broad spectrum stretching from center to the left of center support, it is also true that her position on the bases is very clear. She would rather have those bases as instruments of the western

alliance and I don't think she is going to gamble on just removing the bases irresponsibly.

In any case, I think one of the focuses I think of these elections is our concern with what is actually American policy. We have heard the presentation of leaders in Congress. One among them, the leading one is Congressman Solarz but each time we hear the presentation of people in Government, Ambassador Armacost here, we see a "wait and see" policy.

I was really amused when I heard the two scholars making their presentations. I thought Ambassador Armacost had become Professor Armacost and David Rosenberg had become the State Department figure because he confronted the issues and categorically stated what the things were and as they were but——

Mr. ARMACOST. You, I think, want us to take a partisan position and we have refused to take a partisan position, as a matter of policy. We don't think it is our job to back a candidate. We have asserted our clear interest in the fair electoral process.

VOICE. I think you are taking a partisan position, Mr. Secretary. The traditional policy of the Department has been a counter-policy. You are saying here, the President stated here that when the elections would be over you are still prepared to deal with the government, you are still prepared to hike up aid against the general pressure from the opposition in the Philippines.

This will be done with Mr. Marcos because it will still be the Government in power. We do not hear from you, for instance, an articulation from—I think I was not the one responsible, but I think a dominant segment now of public opinion will be a disenchantment if the election would be stolen as predictably it would be stolen and as predictably even those observers who are partial to Mr. Marcos say he is going to win but he is going to run away with the elections with less than an honest device of getting away with elections.

Consequently, because you are going to be disenchanted then there will be one, two, three, four policies that may have been observed. When you articulate these positions, we are really at a loss. We think that you have continued the position which you have sustained all throughout martial law these 7 years whereby you have maintained your formal relations of support of Mr. Marcos, which resulted in the multiplications of both military and economic assistance and we think that given an election in which the results would be of dubious manipulation of the process, the American Government would still be willing to deal with Mr. Marcos for, after all, this is not going to be a period of discontinuity as asserted by Professor Gregor. It will after all be a process perhaps for the democratic opposition may still find it is capable of confronting the renewed vigor of an entrenched Mr. Marcos.

Well, there are some doubts expressed whether that is the case but these doubts have never been entertained by the State Department. The State Department seems to be saying it is going to be the same ball game.

You are not saying so in such blunt terms, but we are perceiving so with your skillful ambiguity.

Mr. ARMACOST. We regard that as a compliment.

Mr. MORSE. I think your point is well made. If you want to add something to that just quickly, you may.

VOICE. You are trying to read the emerging political situation in the Philippines, how come Mrs. Aquino is saying she will have removal of the bases? Because Mrs. Aquino is responding to the emergence of a well articulated position of disenchantment with American policy over the past 30 years of people who have been sympathetic with the democratic process, sympathetic with American Government and values, but however, the bases have been used and have been used effectively by Mr. Marcos to hold American decisionmaking hostage to its own policies.

Mr. MORSE. David, do you want to say anything?

Mr. ROSENBERG. No.

VOICE. I am more heartened than I have been in any time in the past 5 years about the election in the Philippines. From 10 percent of the electorate in 1981 to 33 percent in 1984 to whatever it might be, 40 to 55 percent Cory Aquino might get as a hunch leaves a lot of room.

It has been well analyzed this evening what the options are, the possible scenarios and the possible consequences of the election have astutely and concretely analyzed and I think we have all benefited by it.

I would like to bear in mind, however, that Saturday morning, Wednesday morning, when Congressman Solarz gets there in disguise and thereafter, there is still that third element that Professor Rosenberg pointed to in his initial remarks.

My question perhaps to the entire panel but starts with him is on the nature of the NPA. If I remember you right, you quoted the Far Eastern Economic Review as describing the NPA and its revolutionary justice. I don't want to quibble about sources, but I guess I incline toward Ross Monroe's article with its description and commentary of the NPA's killing for the sake of intimidation and thereby increasing its power.

Would the panel care to take up the subject a little bit and enlighten us?

Mr. ROSENBERG. Yes. I just sent off my article to the Hoover Institution's Year Book on International Communist Affairs and had a chance to look at that article and others. I guess I don't share all of their assessments about how typical those actions are.

I think he was referring specifically to a Mindanao group. I think the violence exercised by the NPA is strategic and selective and done apparently with fairly careful assessment of the political consequences and is to be contrasted with the apparently random, unpredictable and often errant violence of government forces and in particular the Civilian Home Defense Forces.

If you could somehow add it all up, it appears to me that most of the violence is attributable to government or paramilitary forces. There are lots of different units in the Philippine Armed Forces and I don't want to generalize over all of them. The NPA has not been able or willing to engage in that scale of violence to the extent they have been able to control it.

On the other hand, as a consequence of their rapid expansion, and their highly decentralized nature, there does not appear to be a uniform policy throughout the whole country so we see some

people in some parts of the country and in particular Mindanao and possibly soon in Negros getting a lot more belligerent, in using violence more widely than in other parts of the country.

So that I think addresses the specific point of violence. On the other hand, there are more than a few people who have begun to inquire more specifically about how the NPA manages to maintain its constituencies and other reports, for example, by Paul Quinn Judge reporting for the Christian Science Monitor also indicates this new, rather—what is the word for it—more sinister approaches of the NPA. For example, he reported a few incidents of NPA assassinations of Aquino supporters.

On the other hand, there does seem to be a lot more violence of all kinds going on in the country which are not easily attributed to any one group so clearly. Perhaps this is a reemergence of old style of goons and local criminal gangs.

There is plenty of violence that seems to also be attributable to the Marcos KBL loyals. I was reminded of that when I saw this cover of the Sunday New York Times magazine with these persons holding up the symbol of the opposition.

One of the first people assassinated in the election violence was an Aquino supporter whose two fingers were cut off, mutilated as a salutary message of intimidation and it was attributed at least by the Aquino campaign to pro-Marcos units.

Mr. SOLARZ. I had two very serious problems with Ross Monroe's article, commentary, which, for those of you who haven't read it was about the NPA, in effect characterized the NPA as Philippine Pol Pots, the kind of Philippine version of the Khmer Rouge.

The first problem I had with the inarticulate major premise of the piece was that it was because the NPA was a Philippine version of the Khmer Rouge that it was so bad, which implied that if it weren't as bad as the Khmer Rouge, it might conceivably be acceptable.

I have a problem with that because from my point of view even if one were to assume that the NPA was no worse than the Vietnamese communists, who, as bad as they may be, are clearly not nearly as bad as the Khmer Rouge, it would still be an unmitigated disaster for the Philippines and for the United States and for all of our friends in the region if they came to power.

In other words, you don't have to prove that the NPA is as bad as the Khmer Rouge in order to elicit a negative response to them at least from me and I suspect from most Americans. What the communists have done in Vietnam is enough to strike terror into the heart of any reasonable person and I would hope that those Filipinos who contemplate what has happened to Vietnam would be concerned about the implications of a NPA victory in the Philippines.

But I had another problem with it and that was that I don't think he produced any evidence whatsoever to justify the conclusion that the NPA are, in fact, Philippine Pol Pots. What, after all, distinguished the Khmer Rouge from the Communist Party of Vietnam? The use of terror in a revolutionary struggle is not exactly unknown.

The fact that the NPA is going around killing people and intimidating others hardly proves that they are like the Khmer Rouge. I

saw no evidence which suggested that if the NPA came to power they would immediately evacuate every city in the country in an effort to move the entire population into the countryside.

I saw no evidence whatsoever that the NPA, if they came to power, would eliminate a monetary economy and attempt to go back to a barter economy. I saw no evidence whatsoever that the NPA, like the Khmer Rouge, would systematically exterminate not only everyone associated with the previous regime, but everyone with an eighth grade education or more.

There was absolutely no evidence whatsoever to indicate that the NPA would embark on those particular policies which are what distinguished the extremist form of Communist embodied by the Khmer Rouge.

For those reasons, I really found the analysis analytically deficient.

Mr. ARMACOST. I don't disagree with that. If I can go back to your first place, even they were not as bad as Pol Pot. They would change relations with us in a way that would be disastrous from our viewpoint and disastrous from the Filipino viewpoint, and we should take them at their word and that is that they would change the fundamental structure of Filipino society and fundamentally charge their relations with the United States.

Mr. MORSE. We have another question.

QUESTION. I agree with Congressman Solarz' point. I think though that to the Filipino audience the article has a different message. I read a very interesting State Department, actually U.S.A. report about the Gai-Tai conference of young political leaders held last August of Filipino leaders. I would urge all of you to read that in terms of understanding Filipino attitudes on a lot of issues including the insurgency, U.S. bases, Filipino foreign policy interests, their attitudes toward President Marcos.

But one of the basic points that came across from these young political leaders in the government, from the opposition, business, was this perception of this insurgency as something that really perhaps was only at the edge of mainstream Filipino nationalism but still was in a mainstream of Filipino nationalism.

I think the message of Monroe's article to Filipinos is that this moment is not in the mainstream, it is something very different.

I tend to disagree with you, David, on the pattern or lack of pattern in terms of CPP-NPA violence. I think there is a pattern where their political structure is strongest, where they dominate the political scene, the pattern of terror becomes more broadly based. It isn't just a local barangay captain or the local police chief. It is now suspected informers or people who don't go along or people who resist the ever-widening social controls that become the objective of coercion and perhaps execution.

Now, they are not in control of enough of the country so that perhaps we can draw definitive conclusions. But in the areas of Mindanao where they are in control, as Bishop Escalara pointed *out in a very sadly under-reported speech of last July 2, there is* this broadening pattern of systematic coercion and execution of people, broadening categories of people that are apparently now subject to this as against areas like Central Luzon where the insurgency is in a much less advanced stage and where the categories of

people subject to this kind of thing is much narrower and therefore consequently or apparently in line with the stage of the insurgency in that particular area.

Mr. SOLARZ. Could you mention the name of that publication of proceedings again that you suggested we read?

QUESTION. This was a USIA unclassified airgram on the Gai-Tai Conference, it is a group of young Filipino political leaders drawn from the government, from the opposition, from the business community, from an academia that the USIA and Philippines has had a relationship with now for a number of years. They held a major conference last August I believe in which a lot of these issues were discussed. It was a conference of several days.

In a report which was a number of pages long, I thought in reading it was very illuminating in terms of the attitude of these young political leaders in the Philippines.

Mr. MORSE. Thank you.

Mr. ROSENBERG. Can I make a brief comment.

Thank you for readjusting the balance here. Just to do a little more finetuning. I don't think we can rely on violence and intimidation as a fundamental reason for explaining the tremendous success of the Communist insurgency.

The answer more widely accepted I think is that they provided the material and psychological benefits in exchange for political support.

Eduardo Lachica from the Wall Street Journal made it clearer than anybody, they are well organized. In fact he says they may be the best organized political force in the country today.

That is I think the fundamental reason. We shouldn't get too carried away with emphasizing violence as their sole instrument of appeal.

QUESTION. There is no conflict between violence and organization. That is the best part of an organization for certain types of movements. That seems absolutely——

QUESTION. I understand one of the points in agreement between the administration and the many members of Congress has been the desire to see some form of orderly succession set up to Marcos who is after all rather ill as we understand it.

The election provides the possibility of a success if Cory Aquino wins. On the other hand, if Marcos wins there are two alternative possibilities, one obviously that Tolentino also wins, the other is that Laurel may win. I wonder if members of the panel would care to comment on that possibility or either of those possibilities?

Mr. MORSE. That is a real complicated one. Do you want to——

Mr. ROSENBERG. I looked in my crystal ball and I didn't find anything on that so I will pass.

Mr. ARMACOST. Theoretically it is possible because they can write in the name of a vice presidential candidate and it can be different in party affiliation from the elected candidate for president.

I don't know what the odds would be. My guess would be it is more likely that if Marcos wins Tolentino would be the vice president. But it seems to me in either case you have something you have not had in a long time—that is a predictable pattern of succession that is a great advance over the situation I first encountered when I went out in 1982 where succession was in the hands

of an executive committee, five of whose members had not even been selected and upon President Marcos visiting Saudi Arabia in 1982, it turned out there had been secret instructions left with General Ver which presumably included designation of additional members of the committee which would operate as the caretaker in the event of his death.

So those kinds of uncertainties have been removed. There is this greater clarity about the process and I think there are two credible individuals, either Laurel or Tolentino who represent people of national stature.

Mr. SOLARZ. I would simply say, that I agree with Mike that it is a measure of progress that we now have what I would characterize as a presumptively predictably order of succession. But I think it would be a mistake to assume that in the event Mr. Marcos is reelected that his vice president, whoever it may be, will necessarily succeed him. There is a presumption that the vice president will act according to the constitution. But whether the powers that be will permit the vice president to succeed remains to be seen and I think that what the scenario you referred to is more than anything else an illustration of the enormous complexities we confront and how in the final analysis not until the dust has settled will it really be possible for us to determine how best to proceed.

Mr. MORSE. Would you like to say something or anything?

Chairman WHITTEN. No, that is all right.

QUESTION. I believe I saw in the Times, I don't know whether today or yesterday, a really short squib that indicated that the government of the Philippines had indicated that churchmen ought not to speak about the election from their pulpits. First of all, is that correct?

Second, if it is correct, how could that be anything other than counterproductive? None of you really talked about that, about the church.

Mr. ROSENBERG. I will take about that. I think I know what you had in mind and that brings us to another way yet to steal an election.

In fact, we focused here very much on the mechanics of election day. But I think the biggest fraud of all that makes it really not a free choice is the massive poverty in the country, and I think this helplessness borne of poverty is in itself a poor leverage for the government to win votes through distribution of patronage, payments, estimates that I have heard this morning say that the Marcos administration is spending a half billion dollars to buy votes in this election.

Mr. MORSE. What about the church though?

Mr. ROSENBERG. Along comes Cardinal Sin and says in effect, well, we know people are taking—good cue——

Mr. MORSE. You have what, 85 percent of the Filipinos are Catholic.

Mr. ROSENBERG. Yes. Thank you.

It must be getting late. It has been a long day talking about the Philippines.

Along comes Cardinal Sin and says we know it is traditional to pay people for their votes, parenthetically I might say in the elections of the national assembly it was anywhere from 10 to 50 pesos

per vote, this looks like a gold mine for impoverished Filipinos. You might say—but he said from the pulpit and asked everybody else to read this from the pulpit that even though you may take money as is traditional at election times, even though you may feel an obligation to pay back in political support for this material benefit that you have always received, even though this is part of the legacy of dishonesty in elections he said, in this unprecedented statements in instructions to the clergy, vote your conscious, he said. Take the money and vote your conscious any way you want.

Which is quite remarkable. And also to insist that everybody else read it from the pulpit in their churches throughout the country and if their voices are weak get somebody else who has a strong voice to get up there and say it loud and clear.

Now, this is interpreted by President Marcos as being prejudiced or biased toward the opposition.

Mr. MORSE. What is the implication though?

Mr. ROSENBERG. Well, let me see, what is the implication? Can anybody help us draw an implication here? Would somebody care to put in in words? Is the lesson clear?

Mr. MORSE. The gentleman here. He may be able to enlighten us.

QUESTION. I don't know. I work for an international organization, but I suspect I have no views except observations. But I have a few observations. One of them relates to the role of the church.

This is a very unique election in the Philippines in the sense that to some extent we have a church leader——

Mr. MORSE. Would you like to use the microphone. It may be easier for the people behind you to hear.

QUESTION. I said this is a very unique situation in the Philippines, for the first time I think because we have a church leader who, Cardinal Sin in this case, who makes statements which are neutral in some respect but at least there are people who listen to him, can read the meaning of the neutrality.

The Philippines inherited a situation from the United States of having church-state relations being separated and the movement toward this I guess is what you might call a milestone to some extent. I have a few more points to make, but I will be very brief.

One point is I think it is good to put some perspective in these discussions. One of them is the editorial that I commend to you which I read from the Wall Street Journal just I guess a week ago which stated that given all the bad publicity about the Philippines and all that, here at least you have a situation in which there is an election. I think that is a positive point.

A second point which I think is worth noting is that given that this is an election it is probably the only unique election in which Asian regions, in which there is a direct vote on the presidency, nowhere else I think would you find in many of the governments in Asia where the president is put on the line in a direct vote.

In the 1970's the constitution shifted to indirect vote but given I think the style of old politicians there was a hankering for direct votes as a means of getting the will of the people and perhaps this is one thing that should be pointed out.

I had a few more points, but I think those are the main ones.

Mr. MORSE. Thank you.

Anybody else?

Two people have been raising their hands anxiously. You are one. I will let you go first.

QUESTION. My question has to do with the pessimistic scenario, if the pessimistic scenario comes true and we have continuing deterioration. My question to Mr. Armacost, who indicated he could not really speculate about the hypothetical——

Mr. ARMACOST. I can but I am not going to.

QUESTION. If one or the other two panelists would be willing to speculate. Is this the Philippines' last chance? Is it the last chance for the United States to protect its interests or is that taking the pessimism too far?

Mr. SOLARZ. It is always dangerous to say it is the last chance. Unexpected developments can always occur. The election could be stolen, Mr. Marcos could take or remain in office and a month later he might die. There could be a coup. There could be other unexpected developments that might take place.

My own feeling is that absent unexpected developments or an election which is perceived by the Filipino people to be a stolen election is likely to be the beginning of the end of the existing regime, and it will increase significantly the prospects for the eventual triumph of communism in that country.

That doesn't mean that it will necessarily lead to a Communist takeover but certainly the prospects for the NPA will be enhanced.

Indeed, I would suspect you could have invited Rafael Salas, is it—the head of the NPA——

QUESTION. Salas.

Mr. ARMACOST. Not Rafael.

Mr. SOLARZ. Whomever. I never met him. If you could have invited him to participate in this panel tonight and you would ask him what is your ideal scenario for the Philippines and he had the opportunity like I did to go off the record, he probably would have said that the ideal thing would be for Marcos to steal the election, for everybody to see it as a stolen election and to remain alive for the next 3 or 4 years while the gathering storm gains momentum.

I have no doubt that is what the Communists would like to see happen in the Philippines.

Mr. MORSE. Do you want to say anything, David?

Mr. ROSENBERG. In that case, I think a possible reaction might be to sit tight and wait until nature takes its course with respect to the health of the President. We have not said too much about it but, just briefly, he reportedly suffers from degenerative systemic kidney disease. He disappeared from public view for about 3 weeks last November 1984. He apparently worked only half time throughout months of 1985. He is constantly attended by medics and ambulances on the campaign trail. He is carried around by his guards. He has a limp in one leg. He almost fell down on camera the other day. He has been given anywhere from 6 months to 2 years by various long-distance diagnosis.

Mr. MORSE. We have a number of people who are experts. Would anybody like to respond to that question from their own perspective before we move to the next question?

QUESTION. What is the question?

Mr. MORSE. The question just asked. Rephrase your question if you would. Is this the last chance for the United States to protect its interests?

QUESTION. The Philippines for reasons which have been repeated tonight are obviously very important to the United States for reasons of history, because of its being an ally, because it is a former colony.

But I think we have to be very careful in how we observe and how we respond to the Philippines situation that we do not destroy those very values that we ourselves believe are so important to the Philippines. We should be cautious not to believe more in the totalitarian communist forces capabilities than we do in the democratic tendencies and capacity of Philippines society.

I was very encouraged for example by the comment of the representative of NAMFREL with the way in which they are dealing with the situation.

Let's not forget, we are a young democracy also. Democracy is not an easy value to defend. We have been through a lot of troubles ourselves also. The bloodiest war in history was the American civil war. But somehow we have survived. I think we really ought to be engaging in dialogue more positively, with the Democratic forces of the Philippines to encourage the kind of outcome we would like to see and not let ourselves get into the self fulfilling prophecy where we are practically guaranteeing that that which we cherish most is going to fail.

Mr. MORSE. Would you like to say something?

QUESTION. No, Thank you.

Mr. ARMACOST. I would like to say, we have tried to do precisely that.

QUESTION. This is true.

Mr. ARMACOST. We have had a dialog with people in NAMFREL for a couple oi years and actively espoused their accreditation. We have encouraged their activity, supported those procedural reforms that in our judgment because of the federals judgment that would lead to a fair process. We have tried to engage in precisely those matters.

QUESTION. I just want to make a brief comment. I have read a lot of statements of what is going to happen in the future. I bleed for Mike, who has taken the vow of silence if not chastity on this subject. I do think this discussion has been remarkably pessimistic about the future of the Philippines.

There are some positive elements there as this gentleman was just saying. I didn't see any provision anywhere in these calculations for Marcos winning a reasonably honest election. You all assume either that he will lose or that he will cheat. It is possible that the people in the Philippines are alarmed about the NPA, it is possible they value the American connection, and I just—it seems to me you ought to allow for what I have certainly observed in 30 years of predicting things like this, Americans have a special perspective and they are often wrong. They don't see how the local people look at it. They are concerned with their security and their special point of view.

I think you are a little too pessimistic, Steve, especially, and the Professor.

Mr. MORSE. A brief comment.

QUESTION. May I expect as a Filipino first from my perspective and from what I view would be the American one. I would agree with Congressman Solarz by saying that for us from our point of view this is our last chance to have a clean election and that would validate that the electoral process.

The Democratic process is the only way for change and reform. So if we have a fraudulent election therefore we invalidate the fact that there is still a peaceful way of having a change.

So I would agree with the assessment of the Congressman there.

Again from the American point of view, I think it would be to your interests that we would have a country that is stable and democratic. You may have a country that is Communist and you can still deal with such a country as you have dealt with other countries, but it would not be, I would say it would be very difficult for you to do that.

Mr. SOLARZ. I would like to respond to Ray Kline's observation.

In the final analysis, Ray, it is difficult for any of us to be confident in a absolute sense about our knowledge of another society. We can't even predict what is going to happen—

QUESTION. We don't even know what is going to happen in Brooklyn, Steve.

Mr. SOLARZ. In the 13th District we do, but maybe not in some of the others.

But I am perfectly willing to concede that my analysis of the situation could be wrong. Nevertheless at the end of the day each of us has to act on the basis of the most informed judgment we can make and as I look at the situation in the Philippines what do I see? I see a man who has been in power for 20 years with what seems to me to be a significant percentage of the people feeling that his time is passed. Maybe they didn't feel that way 5 or 10 years ago.

My sense is that—leaving everything else aside—that is a major liability that he has.

Second, I see a country whose economy is going to hell in a hand basket. In the last few years it has had negative rates of economic growth and with the recent exception of Singapore, which didn't do so well in 1985, every one of the other Southeast Asian countries—of course with the exception of the Communist ones—have been experiencing dynamic economic growth. I see this as a political liability for the president.

I see a national leadership in the Philippines which is widely perceived—and I believe on the basis of our hearings accurately perceived—to be totally corrupt and I think that is a significant political liability for the current government.

It doesn't seem to me that a concern about the NPA to the extent that it exists and I am sure it does, necessarily leads to the conclusion that someone should support Marcos rather than Aquino. I could see it leading to exactly the opposite conclusion.

Now, I recognize that the president has certain courses of strength, name identification, a political machine throughout the country which is presumably capable of delivering votes on his behalf, a legacy of some favors and initiatives from which a number of people may have benefited.

I don't think the man is totally bereft of support but I would just have to say very honestly that on the basis of my visits to the Philippines, my discussions with Filipinos across a broad spectrum it does seem to me that this is a man whose day has come and gone and that in a genuinely free and fair election I find it hard to believe that he could possibly win, certainly not against someone who is as powerful a symbol as Mrs. Aquino.

I haven't mentioned by the way in the list of his negatives, the impact on Filipinos of the assassination of Benigno Aquino or the subsequent trial in which General Ver and the other 25 defendants were widely believed rightly or wrongly to be guilty, were all acquitted. When I add all this up I come to the conclusion that his chances are not very good.

I am prepared to concede that I could be wrong.

QUESTION. You said he either loses or he steals the election.

Mr. SOLARZ. I said in my judgment.

QUESTION. Those were the only two possibilities of how Marcos ended up president again. I think there is, even if you say it is a 2-percent chance, there is a chance that for reasons that would not appeal to people from Brooklyn or most people from America. They would want the kind of stability and something that would represent.

Mr. SOLARZ. If you make it 1 percent, I would agree with you.

QUESTION. Always leave that one last opportunity.

Mr. ARMACOST. I would just say I didn't rule anything else out. Our objective has been to encourage those who have put their effort into a fair process and we will hope it is fair and we are devoting our efforts to seeing to it that whatever those on the outside can do on the margins that that effort is made. Ultimately of course, it has to be Filipinos who assure that their rights are given and because they stand up for them. I think it is a very hard thing to look back over the last couple of years and see what has happened in that regard.

Steve mentioned a couple of NAMFREL volunteers. I think anybody who feels strongly about the democratic process takes heart from that. I believe we will have to make some judgments next Saturday and face some hard questions but I haven't ruled out anything. We have simply asserted that our basic interest is in the fairness of the process. That is what we have devoted our efforts to.

Mr. MORSE. We have three people who want to give a quick statement because we are running out of time. Very quickly.

VOICE. Congressman Solarz referred to kind of a tumult that is underway in the Philippines, a popular belief there is a need for a change. I was just wondering what the panel's sense is of just how fundamental are the problems of the Philippines? Are they so fundamental? Is there some kind of social revolution perhaps taking place that the problems cannot be addressed perhaps within a democratic context?

In other words, is it possible that the only way stability can be brought to the Philippines is through either a victory on the part of the Communists or maybe some sort of mobilizing military regime? Can it still be done in all likelihood through democracy?

Mr. MORSE. We are going to take a couple of questions. You can respond to the one you want, OK?

Mr. ROSENBERG. Can I answer that one?

Mr. MORSE. You can't answer anything until this man speaks.

COMMENT. I had the opportunity this morning to read one of the NAMFREL pamphlets with the poll watchers, everything you wanted to know about voter fraud and what you want to do about it and one of the tips is bring a flashlight because at the time they are about to count the ballots there are power outages that take place. It is as fundamental as that.

My question for the panel concerns the possibility of no election, of a call-off. President Marcos was quoted several weeks ago as saying that the only possibility he saw under which there might be a cancellation if something, in effect, Communists were fighting in the streets of Manila, within the past week the military has been mobilized, put on alert because of alleged planned disruptions by the NPA.

Is there any evidence that the NPA's behavior or disposition has changed in preparation for this election?

Mr. MORSE. You want to ask one quick question?

VOICE. I was a little concerned about fairness here.

We talked about fairness. What is exactly a free election that is acceptable to us?

Mr. Solarz says it has to be generally free and fair. That is brief enough.

Mr. Armacost, you say you will judge it on Saturday, 1 day after the election.

Mr. ARMACOST. You probably won't get a judgment until NAMFREL or Philippine organizations have made that judgment because we have 30 or 40 people over there and they can't cover the polling places. NAMFREL is going to cover 90,000 polling places.

Mr. MORSE. One last point.

VOICE. I just want to make a comment. It seems we spend a great deal of time talking about apocalyptic elections. It seems if Cory Aquino wins, there is basic fundamental problems addressed by other people. There are 750,000 workers entering the job market every year. There is still a $25 billion debt. There are still these enormous problems and it seems to me what we have to think about is if Cory Aquino wins, can she really handle the kind of recruitment successes the NPA will have under those conditions.

Mr. MORSE. We will start very briefly with Mr. Rosenberg, and work our way down to the end there.

Mr. ROSENBERG. I will answer these comments not in particular order.

I think the only thing that will save the Philippines from this economic decline and the Communist insurgency is democracy, a competitive political system and competitive market system and that is what the objective should be.

It is pretty easy to say. How you get there is another thing. Second, I don't think I am pessimistic. I think I am realistic.

That is what has happened in the past elections. Have we forgotten the coverup and whitewash of the Aquino assassination of just 1 year ago? What can you realistically expect?

It was not too long ago in this country during an election campaign that some presidential candidate didn't see any alternative

to Marcos except the Communists and now I gather there is an alternative in sight.

As for the last dire point raised, what about no election, I think that is a serious possibility, not necessarily because of President Marcos himself, but again, because of perhaps some of his more fanatic followers, some, for example, who saw what they thought was their mission to remove Ninoy Aquino from the political arena.

Those are unpredictable factors that perhaps some very loyal followers of the President might pursue.

Mr. MORSE. OK. Mike?

Mr. ARMACOST. On the question of calling off an election, I guess you can't rule anything out, but I would think with each passing day over the last few weeks that becomes more and more remote because it would be very difficult to continue governing in the face of a population which expects elections and demands it.

Second, as far as do the problems require something other than democratic solution, I think the problems in the Philippines require one basic thing, that is accountability. The areas of the economy which haven't functioned very well have been areas in which there have not been much public account or auditing of funds.

The areas of political life that haven't functioned to the satisfaction of the Filipinos have been a result of not having sufficient accounting to the public. The same, I think, goes for the military.

To that extent, that explained ultimately the fundamental importance of this election. It is a test of accountability. That, I think, is something that is needed across the board.

If people don't pay the consequences of bad decisions they make a lot more bad decisions.

Mr. SOLARZ. Well, I suppose I see it a little bit differently. The question was asked how fundamental are the problems of the Philippines. I think they are very fundamental. The progressives in our Nation used to say that the cure for the ills of democracy was more democracy.

I think there are a lot of people in the Philippine opposition and perhaps some people in our own country who think that the restoration of democracy will solve the problems of that country. I don't believe it will. I think it may be a necessary condition dealing with the problems, but it is certainly not a sufficient one. I think what is really at stake here and at issue is the extent to which you have a quasi-feudal society in which there are millions of people, particularly in the countryside who have been exploited over the centuries who are now beginning to demand justice.

Unless a new government, even one led by Cory Aquino, is prepared to pursue policies that cut against the immediate interests of the class which has historically produced the political leadership of the Philippines, I think they may ultimately lose out to the Communist challenge in that country.

You ask is a Communist victory necessary to bring justice for the Philippine people? I don't believe for 1 minute that a Communist victory will bring justice to the Philippine people. I am deeply convinced that however serious or great the problems of the Philippines may be today, people will look back on it as a golden age if the Communists should come to power in the Philippines, yet I be-

lieve that if things continue the way they are, the chances are the Communists will come to power in the Philippines.

You ask what is a free election. I suppose a free election at the end of the day is an election in which the number of honest votes exceed the number of fraudulent votes and the will of the Philippine people has been expressed in the outcome of the election.

There will be a certain number of fraudulent votes no matter what happens. The key question is whether the person who received the majority of the honest votes actually wins and I think the operative test of that is what NAMFREL says and what conclusions the Philippine people themselves come to.

Finally, Professor Gregor asked does Cory Aquino have the ability to recruit the kind of talent and leadership which will be necessary to cope with some of the structural problems confronted by the country. I don't know. I don't think we will know unless she has the chance to become president.

What I do know is that the current government has run out of steam, it has run out of ideas and the notion that they have the capacity to cope with these underlying problems, in my view, is an illusion.

Mr. MORSE. I think one thing is very clear. The Philippines is very important to this country and I think the other thing is these three people who are very busy with this particular issue have taken out a whole evening to talk to us very frankly and openly about it and I think we all ought to thank them for that.

[Whereupon, at 10:05 p.m. the workshop adjourned.]

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